

G O V E R N M E N T O F I N D I A
M I N I S T R Y O F C O M M E R C E A N D I N D U S T R Y

R E P O R T
OF THE
R E V I E W I N G C O M M I T T E E

to review the working of
THE INSTITUTE OF CHARTERED ACCOUNTANTS
OF INDIA.

DEPARTMENT OF COMPANY LAW ADMINISTRATION

N E W D E L H I .

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**REPORT OF THE
REVIEWING COMMITTEE**

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CHAPTER I

APPOINTMENT AND TERMS OF REFERENCE OF THE COMMITTEE

By its order dated the 27th September, 1968, the Government of India constituted a Reviewing Committee with the following terms of reference:-

"To review the working of the Institute of Chartered Accountants in order to assess to what extent the constitution and functions of the Council of the Institute as laid down in the present Chartered Accountants Act and the regulations framed under it have succeeded in achieving the objects underlying the Chartered Accountants Act, with particular reference to the rapidly increasing role which the Chartered Accountants are being called upon to play in the economic activities of the country."

The Committee was required to "examine the working of the Institute both from its organisational and administrative aspects, and to suggest how best it could be improved to meet the growing needs of the present and the future."

2. The genesis of the Committee was explained in a Press Release issued by Government at the time of the constitution of the Committee. It is nearly 10 years, it states, since a statutory body to regulate the profession of accountancy in the country was set up under the Chartered Accountants Act, 1949. Extensive amendments to that Act are contemplated by Government in the light of experience so far gained and an amending Bill has already been introduced in Parliament. This was, therefore, considered an opportune moment for a review of the working of the Institute, in order to elicit opinion of the members of the profession generally on questions affecting them and to consider how the working of the Institute could be improved.

COMPOSITION OF THE COMMITTEE

3. The same Press release also made mention of the fact that all the members of the Committee, except the official member, were immediate past Presidents of the Institute serving on the Council of the Institute at the time, which appears to have been the basis of selection of the personnel of the Committee, by Government. The official member, it will be noticed, was also one closely associated with the Council of the Institute and the administration of the Chartered Accountants Act, being a Member of the Council for over two years and Deputy Secretary in the Department of Company Law Administration. The composition of the Committee is as follows:-

- | | |
|---|----------------------|
| (1) Shri G. Basu, F.C.A.,
former President of the Institute
of Chartered Accountants of India,
and member of its Council. | Chairman |
| (2) Shri N. R. Mody, F.C.A.,
former President of the Institute
of Chartered Accountants of India,
and member of its Council. | Members |
| (3) Shri C. S. Sastri, F.C.A.,
formerly President and now Vice-
President of the Institute of
Chartered Accountants of India. | |
| (4) Shri S. P. Chopra, F.C.A.,
former President of the Institute
of Chartered Accountants of India. | |
| (5) Shri S. Vaidyanath Aiyar, F.C.A.,
President of the Institute of
Chartered Accountants of India. | |
| (6) Shri C. P. Gupta, I.C.S.,
Member of the Council of the
Institute of Chartered Accountants
of India, and Deputy Secretary in
the Department of Company Law
Administration, New Delhi. | Member-
Secretary |

THE APPROACH AND METHODS ADOPTED BY THE COMMITTEE

4. It was understood that the main objective of this Committee would be to explore ways and means to enable the

members of the Institute to make a more useful contribution in the developmental activities of the country and to enable the Council of the Institute to serve the profession and the public in accountancy, audit, financial and allied matters more effectively. The intention was not to conduct an investigation into the affairs of the Council of the Institute but to review the past with a view to suggesting plans for the future. In this connection reference may be made to the following extract from the speech recently delivered at the meeting of the Council of the Institute by the Minister of Commerce & Industry:

"It cannot be denied that amongst some of the junior members of the profession, particularly the new entrants, there is a certain feeling of unhappiness that they are not always getting adequate guidance or timely advice to the extent they could ordinarily expect from such a body. It may be possible for this Committee to suggest measures to remove defects, if any, in the working of the Council which may have given rise to such feelings. I hasten to add that the appointment of this Committee in no way reflects on the working of your Institute, and I would like to take this opportunity for removing any such impression. But you will no doubt agree that in every organisation there is always room for improvement. It is in that spirit of helpfulness that I would like this Committee to hold its deliberations."

We have accordingly endeavoured to approach the work in a spirit of helpfulness, but we have had necessarily to assess the experience of the past in order to make suggestions for the future. We hope therefore that if our report appears somewhat critical at places, we will not be misunderstood and our observations would be viewed in the spirit in which they are offered.

5. In our examination of the working of the Institute we have followed broadly the division of the functions of the Council of the Institute indicated in the Chartered Accountants Act, 1949. The review of the

working of the Institute in this report appears under the broad headings: Administration and Regulation of the Profession, Prescription and Administration of the Ethical Code of Conduct, Training for Entry into the Profession, Professional Examinations, Service to Members, Research, and Miscellaneous.

6. While we were expected to elicit opinion of the members of the profession generally on questions affecting them, Government desired the Committee to complete its work and to submit its recommendations well before the end of November, 1958, so that if any further changes in the Chartered Accountants (Amendment) Bill, 1958, were found necessary as a result of our report, they might be conveniently included in good time in the Amending Bill. The Committee, therefore, had hardly two months' time at its disposal in which to complete the work. Under the circumstances the somewhat short notice given to the members of the profession who were requested to send us their views in writing and to meet us for personal discussions, could not unfortunately be helped. In view of the shortness of the time at our disposal we found it impracticable to address every member of the Institute individually and seek his views much as we would have liked to do so. Under the circumstances, the alternative of a random survey of opinion was considered as good a way of ascertaining the views of a representative cross-section of professional opinion as any. We, therefore, issued a circular letter to every tenth member on the register of the Institute. In addition, the circular was also issued to the following:-

- (i) All members of the existing and previous Councils of the Instituto.
- (ii) The present and past Chairmen of all Regional Councils.
- (iii) The office bears of the existing Regional Councils.
- (iv) The President of the Instituto.
- (v) The Chairman of the Coaching Board of the Institute.
- (vi) The Auditor General of India.
- (vii) The Chairman, Union Public Service Commission.
- (viii) The Secretary, Central Board of Revenue, Government of India.

We were anxious, however, not to preclude any member of the Instituto desiring to make suggestions to the Committee, from doing so. The recipients of the circular letters were, therefore, requested to show the letter to as many members of the Instituto as they conveniently could and to assure them that their views would be no less welcome to the Committee. A sufficient number of copies of the printed circular were supplied to the Chairmen of the Regional Councils of the Instituto and also to all the Registrars of Joint Stock Companies in the States, so that copies of the circular could be obtained from them by any member of the Instituto.

7. The circular letter was issued on the 6th October, 1958, and suggestions were invited by the 18th October, 1958. As we were anxious not to restrict the scope of suggestions by issuing a questionnaire as such, for eliciting the opinion of the members of the profession, only a broad outline was forwarded with the circular letter to serve as a guide to the members of the Instituto in preparing their memoranda. Though the outline was not intended to be exhaustive, and that

was made clear in the circular, it contained as many as 105 specific subjects on which suggestions could possibly be given. The memoranda received by the Committee have been carefully examined.

8. The Committee also visited the regional headquarters of the Instituto at Calcutta, Kanpur, Delhi, Bombay and Madras in order to hold discussions with such members of the Institute as desired them. Not only were invitations for a discussion issued to all those who expressed a desire to meet the Committee, but some of those who had not sent in any written memoranda but were likely to be interested were also invited to meet the Committee for personal discussions, and such discussions were held with those members of the Institute who came forward to give evidence.

9. Matters emphasised in the memoranda submitted to the Committee and evidence tendered before it cover a very wide field extending from matters of detail to important questions of policy. Some of the more important matters were:

- (a) Screening before admission as apprentices;
- (b) Theoretical training;
- (c) Assuring of adequate practical training;
- (d) Audit clerkship;
- (e) Industrial training of apprentices;
- (f) Examination in the hands of an independent Board;
- (g) Quality of average member to be improved;
- (h) Assistance and service to members and research;
- (i) Treatment of disciplinary cases;
- (j) Preventive aspect of discipline;
- (k) Standard code of ethics;
- (l) Certificate of Practice to whole-time employees;
- (m) "Other occupations" for practising members;
- (n) Place of non-practising members in the profession and in the Institute;
- (o) Functions of Regional Councils;
- (p) Elections;

10. Complaints were made to us, specially in Calcutta, that our circular letter of the 6th October 1958 was not received by many members of the Institute till 10 or 12 days later. It is a matter of regret that due to 'Puja' holidays

the circular letter appears to have, in a few cases, been delayed in the post office. There was also a general complaint that very little time had been allowed to the members of the profession to formulate and express their views. We have already mentioned above the circumstance necessitating quick action. Some haste on our part was unavoidable. The amending Bill having already been introduced in Parliament, it was expected to come up for consideration during its current session. If any further changes in the Act were to be made in the Bill, it was necessary that the report of the Committee should be submitted to Government by the 24th November, 1958. Within the time available, however, the Committee has done everything that was in its power to elicit the views of a cross-section of the profession and to have frank and free discussions with all members desiring a discussion.

11. Mention might be made here also of a criticism of the methods adopted by the Committee, by some sections of the profession, specially some members of the Bombay region. We have been told that we should have invited the views of the Council of the Institute as well as its Regional Councils, officially. The Council of the Institute had previously invited the Secretary, Department of Company Law Administration, to their meeting held on the 15th September, 1958, wherein certain clarifications concerning the appointment of the Committee and the scope of its work, were given on behalf of Government. At that time an assurance was also given that Government would give an opportunity to the Council of the Institute to offer its comments on the report of the Committee before Government considered the report. In view of this assurance we

considered it unnecessary to invite the views of the Council as a whole, though the circular letter was issued individually to the President and Members of the Council of the Institute as well as to the Chairman and other office bearers of the Regional Councils. Besides inquiries of this nature, individual views are perhaps more effective and comprehensive than collective views.

SITTINGS OF THE COMMITTEE

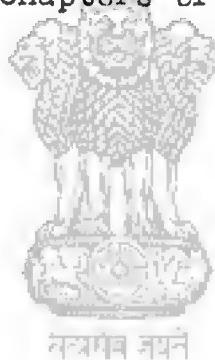
12. The Committee held ten sittings in September, October and November, 1958, of which five were held at Delhi. At the 1st meeting held at Delhi on the 17th September, 1958, the programme and procedure to be followed by the Committee was settled. At the 2nd meeting held at Calcutta on the 24th October, 1958, the procedure for taking evidence was discussed, the lists of witnesses to be examined at Kanpur, Bombay, Madras and Delhi were settled and the written memoranda received from members of the Institute were gone through. At the 3rd meeting held at Calcutta on the 25th October, 1958, the Committee heard evidence from the members of the Institute in that region. At the 4th and 6th meetings held at Delhi on 1st and 3rd November 1958 respectively, the Committee heard evidence of the members of the Institute from that region. At the 5th meeting held on the 2nd November the Committee heard evidence at Kanpur. Evidence was also taken by the Committee at Bombay at the 7th meeting held for three days from 4th to 6th November, 1958, and at Madras at its 8th meeting held for two days from the 7th November, 1958. At its 9th meeting held at Delhi on the 12th and 13th November, 1958, the Committee reviewed the evidence heard and formulated its tentative views for incorporation in the report. At the 10th meeting held at Delhi from the 20th November, 1958, the Committee considered the draft report prepared by the

Member-Secretary on the lines indicated to him in the previous meeting, and finalized and signed the report.

The evidence and suggestions submitted to the Committee by the members of the Institute were of considerable assistance to it in its deliberations and the Committee desires to express its gratitude to all of them.

13. A list of the members of the Institute who presented their views before the Committee, either in writing or by personal discussion, is appended to this report as Appendix I.

14. A list of recommendations and suggestions made by us in the succeeding chapters of this report is appended as Appendix II.



CHAPTER II

ADMINISTRATION AND REGULATION OF THE PROFESSION

History of the profession

14. The Accountancy profession in its present form developed as a natural corollary to the development of joint stock enterprise. The limited liability benefit conferred on companies required that to reassure investor and public confidence, the accounts of companies should be audited and reported upon by members of an independent body of experts in accountancy. The first Companies Act in India was enacted in 1857 and replaced in 1908. Licensing and regulation of persons qualified to act as auditors was statutorily introduced for the first time in the Companies Act, 1913. Until then it was not a statutory obligation that company accounts should be audited but most companies had their own provisions for an independent annual audit. However, this audit could in fact be performed by anyone before the year 1913. It was in the Act of 1913 that provision was first made for audit of company accounts by an auditor holding a certificate from the local Government. The qualifying examination was known as the G.D.A. and certificates were awarded by the Provincial Governments to those who passed it. This position continued until 1930 when a further amendment to the Indian Companies Act was made. Under this amendment provision was made for the maintenance of a Register of Accountants entitled to apply for certificates of practice as auditors and for the examination of candidates for enrolment. An Indian Accountancy Board was set up in 1932 and the Auditors' Certificate Rules were also promulgated. The early composition of this Board was by nomination, but in the year 1939 the principle of election of non-official members to the

Board was introduced. At the conclusion of the Second World War, the profession had so grown not only in number but in the range of its functions, that the desire for an autonomous organisation of the profession was voiced and also recognised by the Government, which constituted an Expert Committee to consider the whole matter and to make suitable recommendations. This Expert Committee reported in July, 1948. The Committee recommended the creation of an all-India Institute of Chartered Accountants and prepared the draft of what became later the Chartered Accountants Act in 1949.

15. The Chartered Accountants Act came into force on 1st July, 1949. The Act conferred virtual autonomy on the profession and vested the regulation and organisation of the profession in the hands of the profession itself. The Institute of Chartered Accountants established by this Act has been entrusted with examining, licensing and disciplinary functions. In the discharge of these functions and the management of the affairs of the Institute, a Council has been constituted, composed of, at present, twenty persons elected by the members of the Institute from amongst the Fellows of the Institute and five persons nominated by Government. Of these five, two are nominated by the Government in consultation with the two major commercial organisations in the country, the Federation of Indian Chambers of Commerce and Industry and the Associated Chambers of Commerce. These nominees are invariably Chartered Accountants. The three others represent the Central Board of Revenue, the Comptroller and Auditor General of India and the Ministry of Commerce and Industry. The Council thus composed has been so functioning for the last nine years except for the variation in the number of elected members which has varied from fifteen to twenty, depending on the size of the membership of the Institute.

Role of the profession

16. With the steady development of joint stock enterprise in India within the last thirty years the responsibilities of Chartered Accountants have increased both as accountants in industry and in public practice. To-day there are as many as 30,000 companies with a capital investment by the public of about Rs.1,000 crores. The socialist pattern of society which has been declared to be the objective of the country's social and economic policy not only preserves the private sector but visualises a still larger opportunity for it for development and expansion in the context of speeding up of industrialisation and acceleration of economic growth. Further, the expansion of the public sector of industrial and financial enterprise under the scheme of planned economy also calls for the services of trained and expert accountants.

17. Until a few years ago, the main role of the accountancy profession was as auditors but with the need in recent years, for public revenues to be increased to finance Plan projects and the consequent enhancement of taxation all round and the introduction of several new taxes, the demand for the services of public accountants as tax advisers has grown enormously. Recognition of this trend has been noted by the Taxation Enquiry Commission.

18. Accountants' services to the public community have not been confined to the directions mentioned above; they have ranged over a wide field and their roles as financial advisers, cost accountants, secretaries, arbitrators, liquidators, receivers, executors, administrators, trustees, valuers etc. have been of benefit to Government and public economy.

19. The accountancy profession is therefore one with numerous activities all of which, directly or indirectly, have a contribution to make to public economy in one form or another.

Autonomy

20. As observed above, until the coming into force of the Chartered Accountants Act, 1949, the profession did not have an autonomous character in that it was under the regulation of the Central Government, which had the power to grant certificates to duly qualified persons entitling them to act as auditors of public companies and to make the necessary rules in that behalf. Provision was made for the appointment of an Accountancy Board which was advisory in character, and to assist Government in maintaining standards of conduct required of the auditors. These arrangements which dated back to 1932, were considered to be transitional in character and were intended to pave the way towards establishing an autonomous body of accountants, able to assume the responsibility for regulating the profession of accountancy in the country. With that end in view, the Government of India appointed an Expert Committee in May, 1948 and as a result of the recommendations of that Committee, the Chartered Accountants Act was passed and came into force on the 1st July, 1949. The autonomy given to the profession through this statute was however subject to two reservations in favour of the Central Government, viz. the power to approve the regulations made by the Council and the right to nominate five persons on the Central Council of the Institute, two of whom have in practice been representatives of commerce and industry. Having statutorily given autonomy to the profession, Parliament is rightly concerned in assuring that the profession develops along proper lines in the public interest and the members of the profession do not merely concern themselves with their own personal welfare.

21. It cannot be denied that a well-established profession should be autonomous for the governance of its affairs, and by 1948 Government had felt that the stage had come when the profession of accountancy also was sufficiently developed to be entrusted with this responsibility. The Institute has ably administered the Act and the profession of accountancy in this vast country has settled down to managing its own affairs; but it has indeed taken some time to establish, as is natural, the Institute on a sound footing in the administrative sphere. The relationship of the Institute with Government has been satisfactory and cordial, and wherever there has been any difference of opinion between Government and the Council, each has tried to explain and understand the viewpoint of the other, and resolve matters in a spirit of 'give and take'. There have been occasions when Government have accepted the Council's viewpoint, although initially it may have thought otherwise and vice-versa the Council has accepted the Government's views when it was convinced that they were sound. We believe we are correct in saying that the Council has always acknowledged and appreciated the interest taken by the Government in the affairs of the Institute. There has been general recognition of the very useful role the nominated members of the Council, particularly those from Government, have played in guiding the Institute, and we are therefore of the view that such nominations on the Council should continue for the time being.

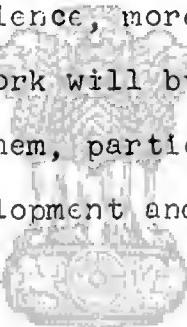
22. It is not only in this country, which lays emphasis on the socialistic pattern of society, but also in the traditional 'laissez-faire' democratic countries, the present day trend is towards planned economy

and State supervision. In spheres touching upon the public interest, therefore, the logical concept of self-governance would, in our view, be one of autonomy within the framework of the policy of the State. While a professional body should be autonomous, therefore, its autonomy should inevitably be subject to some degree of State supervision. This aspect, we are afraid, is not properly appreciated at times. At the same time it is equally necessary that the extent of supervision which the State exercises is guided solely by considerations of public interest.

Accountant in public practice and
concept of nationalisation

23. There is a general desire amongst the members of the profession to free the Institute entirely from State supervision. On the other hand a large number of witnesses that have appeared before us, specially those from amongst the junior members of the profession, have advocated some form of rationing of work, if not nationalisation of the profession. It has been stated that the junior members of the profession are not able to get enough work because the senior members are offered the greater part of it. Various suggestions to ensure a more equitable distribution of work have therefore been made, with which we will deal in due course; but in so far as the concepts of nationalisation or rationing of professional work are concerned we would like to say that the strength of any profession and its evolution depend on the individual ability of its members. As with the legal and medical professions, individual talent should be the primary consideration if the profession has to advance and serve the public in the best possible manner. The public, who employ the services of accountants, should be at liberty to go to one who in their judgment can render the best service. In all other countries, where the accountanc-

profession has made the greatest strides, individual talent has been the only basis on which the profession has developed; and this applies equally to all other professions. In this context the idea of nationalisation and/or limiting an accountant's practice by regulation would be a retrograde step, and would retard the progress of the profession and lower it into a stagnant state, apart from the insurmountable and practical difficulties which any attempt in this regard will raise. In a profession founded on knowledge and integrity, the public should be free to choose the accountant for whom it has the necessary confidence. Over a period of time when the coming generations of accountants gain increased knowledge and experience, more and more new work and much of the existing work will by natural evolution offer fuller occupation to them, particularly in the context of rapid economic development and progress of the country.



24. Another important aspect which should not be overlooked in the present context of the economic development of the country is that for the present, and for many years to come, the country must be able to attract foreign investments if it is to develop industrially in the shortest possible time. Foreign investors are not likely to look with favour if they are not allowed to employ accountants and auditors of their own choice, but are expected to rely on an accountant assigned to them by the Institute or the Government, whom they do not know.

25. The system of practising firms of accountants has also been commented on in connection with the inequitable distribution of work. It has been said that this system enables the concentration of practice in the hands

of a few accountants who practice through the so called large firms. A large firm is nothing but a combination of a number of Chartered Accountants who have pooled their resources and knowledge to practise together in a body as opposed to an individual or two or three individuals. There is a distinct advantage, particularly in a young profession, for the continuance of this practice, in that not only the public has confidence in old established firms, but also their organisation and experience can serve the public interest better. Experience is a very important asset in accountancy practice and it takes a long time to acquire it. The system of practising firms ensures that experience once gained is not lost, as would be the case with individual practitioners. A Chartered Accountant's acquisition of knowledge does not stop with the passing of the qualifying examinations - in fact, the best part of it commences at that stage, and in practising firms it can profitably be passed on from the seniors to the juniors who in their turn can pass it on to those who follow after them.

26. The institution of partnership firms has also some other advantages. The profession of accountancy differs from professions such as medicine in some essential aspects. For instance, an audit consists of a number of operations, each of which requires a different degree and standard of knowledge, skill and performance. Besides specialisation is becoming increasingly important in accountancy work in the context of current developments/in the absence of firms the public are likely to be deprived of the benefits accruing from individuals working together, each of whom has acquired specialised knowledge in some branch of accountancy or auditing or taxation. Firms which have been in existence for a long time are, through their experience and specialised knowledge, able to give a measure of continuous and composite service to their clients which would otherwise be impossible. This is borne

out by the experience of industrially advanced countries. In this context it may be noted that there is an increasing tendency in other professions as well to form partnership firms. Besides, a large partnership is generally able to make an effective contribution towards the training of new entrants to the profession.

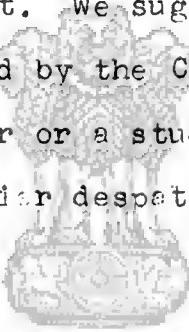
27. We are therefore opposed to any manner of nationalisation or rationing of the professional work or the discontinuance of practice through partnership firms as in our view such steps will not be in the best interests of development and progress of the profession.

Regulation of the Profession

28. Subject to the power of the Central Government to approve the regulations framed by the Council of the Institute, the Chartered Accountants Act entrusts the regulation of the profession entirely to the Council of the Institute. We are of the view that the Council has discharged this function as well as it could be expected of it in the initial period of the Institute's development, when it was necessary for the Institute to first set up its own house. We feel, however, that the stage has now arrived when the Council can more effectively grapple with the special problems of the profession in the context of the country's economic structure and concept of public interest. Some of the internal problems of the profession demanding attention are the need to attract the best material to the profession and to raise the standard of training for the profession, keeping in view the varying standards of basic education prevailing in the country, the need to increase professional knowledge through research, and the need of enabling the profession to render better service through specialisation.

The time has arrived also arrived when the profession should endeavour to make its own contribution to promoting and sustaining the economic development of the country. A greater interest in the economic measures and their accountancy implications would redound to the credit of the Council.

29. Coming to the house keeping functions of the Institute we are of the view that the present organisation and methods of work are capable of improvement. There is scope for reducing the clerical work in the office of the Institute by suitable adjustments of forms and procedures. For instance, members are required to give the same information over and over again for different purposes, and every time such information is given the office has to check and verify it with consequent waste of effort. We suggest that this and other matters should be examined by the Council so that all information concerning a member or a student is brought in one place, resulting in speedier despatch of business, and we give some examples below.



30. The present practice in the Institute is to issue fresh Certificates of Practice every year. At each renewal instead of issuing a simple renewal certificate extending the validity of the Certificate of Practice, a new certificate printed on parchment paper, is prepared and issued. This practice is wasteful. We recommend that the renewals of Certificates of Practice should be effected by printing the existing Form 'T' along with a receipt form at the bottom of Form 'Q' with perforations in between. The renewal certificate with the receipt can be detached and issued to the member, thus saving time and expense.

31. Para 3 of the application for the renewal of a Certificate of Practice in Form 'Q' requires a member to enlist all the occupations engaged in by him together with the references of the permissions accorded by the Council

in respect of those occupations. This necessitates needless work in the office of the Institute in checking up the information given. We would suggest that for purposes of renewal, this para should be so amended as to require a member only to list the occupations engaged in by him, if any, other than those for which he has already obtained the permission of the Council, giving references of his letters under which he has applied for permission for the same, and to list the occupations, if any, permitted to him by the Council, which he has since discontinued.

Pursuit of other occupations

32. The prohibition that the members of a profession should not engage in any other pursuit is generally prevalent throughout the world. The reason for imposing this restriction is that unless a professional man keeps himself in constant practice, he is not only apt to forget the finer points of his art but would also not be able to keep abreast of the latest developments in professional techniques. The latter aspect is all the more important in a profession like accountancy where techniques and procedures must be constantly kept under review if the profession has to meet the demands of an economic system which is constantly in a state of flux. Obviously such a restriction has no applicability to those who having qualified in the profession do not actually engage in the practice of the profession. We would, however, like to point out that at present the restriction applies only to members in public practice and not to members in industry. On the basis of the reasoning underlying the prohibition, the imposition of this restriction on the members in industry would also appear to be necessary. But in our view the situation of employment itself would

make the imposition of such a restriction impracticable. We are therefore of the view that the existing position in this respect, whereby the restriction applies only to the members in public practice, needs no change.

33. Even in regard to members in public practice an absolute prohibition of every occupation is obviously impracticable. The rules therefore provide that such members can engage also in other businesses or occupations with the permission of the Council given through a general or a specific resolution. The Council has accordingly given permission by a general resolution in respect of tutorship, authorship of books, holding of life insurance agencies for the limited purpose of getting renewal commissions, and notaries public. This resolution also permits employment under Chartered Accountants or firm of accountants, though members so employed are not treated as in practice - vide Section 2(2) of the Act, and not being Chartered Accountants do not require any sanction under Regulation 79. The Council has also passed a specific resolution permitting part-time employment in business concerns like banks, factories, insurance companies and other commercial houses, and in non-business concerns like Government Departments, Clubs and Associations etc., permitting also the holding of interest in business concerns in the management of which no active part is taken, proprietorship of educational institutions, part-time lecturerships, editorships of professional journals, holding of part-time public elected offices, etc. Here again, the resolution also permits whole-time employment, lecturerships and editorships, which, in our opinion, negatives the conception of a Chartered Accountant as contemplated in the Act. We recommend that the appropriate resolution of the Council should be suitably amended in the light of our observations.

34. Every individual Chartered Accountant who wishes to engage also in any of the occupations and businesses mentioned in the specific resolution has to seek the permission of the Institute. It has been suggested to us that the administration of the regulation in this manner involves needless waste of time and can be done away with, a Chartered Accountant being trusted to follow the policy of the Institute in this regard, and action being taken against him if and when any breach of the policy comes to the notice of the Institute. While we agree that the Chartered Accountants should not have to obtain specific permission in respect of the occupations permitted under the general resolution, and would recommend that the question of including in the general resolution as many as possible of the occupations mentioned in the existing specific resolution may be examined subject to the observations made in the para above, we do not think it would be possible for the Council to visualise all the occupations in which Chartered Accountants might want to engage. Specific permission should therefore still continue to be necessary, though if our recommendation is accepted, the administrative work involved would be considerably reduced as a result of the enlargement of the scope of the general resolution. We would also recommend that for the sake of clarity it should be provided in the rules that a Chartered Accountant must have the profession of accountancy as his main occupation, other business or occupation permitted by the Council, being engaged in only by way of subsidiary occupations in life, and that he should not follow any other profession than that of accountancy. Consistently we would also suggest that para 4(b) of the Form of deed of Articles in Form 'L' and similar clauses in other prescribed forms should be amended so that the employer

covenants with the Articled Clerk that his professional practice is his main occupation and is suitable for the purpose of enabling the employer to carry out his obligations.

Certificates of Practice

35. Under Section 6 of the Act every member of the Institute desiring to engage in public practice has necessarily to obtain a Certificate of Practice and the holders of such certificates are debarred from engaging in any business or occupation other than the profession of Accountancy without the permission of the Council to be obtained under Regulation 79. As pointed out earlier, however, the resolution passed by the Council under Regulation 79 permits such members even to engage in a whole-time employment, lecturerships and editorships. In actual practice also the Institute has issued Certificates of Practice to a large number of its members so employed giving them simultaneously permissions to engage in whole-time employment. The result is that a large number of the members of the Institute have become Chartered Accountants even though they do not practise accountancy and have no intentions of doing so. This practice manifestly contravenes the principles underlying the Chartered Accountants Act. This device appears to have been adopted for two reasons - (a) the desire to make the designation Chartered Accountant available to all members of the Institute and (b) so as to make the members of the Institute employed in industry eligible to become Fellows of the Institute, which incidentally enables them to be eligible for elections to the Council of the Institute, thus giving representation to the members in industry.

36. As regards making available the use of the designation 'Chartered Accountant' to all the members of the Institute, this matter has been agitated by the Council of the

Institute already and has been discussed at great length between the Council and the Government.

37. As regards the need to give representation on the Council of the Institute to Accountants in industry, the proposed amendments to Section 5 of the Act in the Chartered Accountants (Amendment) Bill, 1958, would take care of it.

38. We would therefore recommend that the present practice of the Institute issuing Certificates of Practice to members having no intention to engage in public practice of accountancy and to simultaneously grant them permission to engage in the other occupations, should be discontinued, and the Certificates of Practice already issued to such members should be cancelled. Certificates of Practice should in future be issued only to those whose main occupation is the profession of accountancy, though the certificate may be continued in special cases for temporary periods, say upto six months, when a Chartered Accountant ceases the practice of accountancy, if he has any arrears of professional work to clear.

Non-practising members

39. It has to be recognised that members of the Institute employed as accountants in commerce and industry are as much engaged on accountancy work as members in public practice. Practice has, however, been so defined in Section 2(2) pf the Act, that the term 'members in practice' has come to connote only those in public practice, and the accountants in industry have consequently been somewhat neglected in the past. With the rapid industrial development of the country and the growing complexities of the economic system sustaining this development, the time has arrived when the accountants in

industry should receive their due recognition from the Institute in all phases of its activity like administration, research and education and the Institute should cater to the needs of such accountants as much as to the needs of accountants in public practice. We are, however inclined in favour of the maintenance of the distinction between the members in industry and those in public practice and the Certificates of Practice should therefore be restricted to those whose main occupation is the public practice of accountancy. The accountants in industry will be able to come on the Council through the amendment of Section 5 proposed in the Chartered Accountants (Amendment) Bill, 1958, and the importance of this category of members in regard to research and education etc. can be recognised by the Institute without any further amendments of the Act being necessary. What is important is that this category of members should be given a sense of belonging to the Institute.

40. Though we are not suggesting the issue of Certificates of Practice to the members employed in commerce and industry, we consider it highly desirable that the Institute should in future cater also to the needs of such members. The enlarged services that the Institute will be rendering to them in future will undoubtedly entail greater expenditure and we consider it therefore but reasonable that such members should share the cost of the service along with the members in public practice. We suggest that this could be done by the fees for Certificates of Practice being fixed at Rs.25 for both Associates and Fellows, the annual membership fee for all Fellows being increased to Rs.75. That would require an amendment of Sections 6(2) and 19(4) of the Act.

CHAPTER III

PRESCRIPTION AND ADMINISTRATION OF THE ETHICAL CODE OF CONDUCT

Code of ethics

41. The existing rules of conduct for the members of the profession are contained in the Schedule to the Act, the notification issued thereunder and the regulations made under the Act. Our attention has been invited particularly to Clause (q) of the Schedule which makes gross negligence in the conduct of professional duties a matter for disciplinary action by the Council. It has been suggested that negligence should not be made a ground for disciplinary action as a remedy in such cases is available under the ordinary law. We have considered this matter carefully and find it difficult to subscribe to this view. Though it is true that a party that suffers some damage or loss due to any negligence on the part of a professional man can bring action in a Court of law, a professional institution would be failing in its public duty if it were to take no notice of the manner in which its members discharge their professional obligations.

42. We would like to point out, however, that under Section 22 of the Act the Council is not restricted to the Schedule and is free to inquire into the conduct of a member under any other circumstances which render him unfit to be a member of the Institute. Though that is the position in law, in actual fact there have been hardly any cases where the Council has inquired into the conduct of any member when the act or omission complained of was not mentioned in any of the specific items of the Schedule, the notification issued thereunder, and Regulation 10A.

Views have been expressed before us that a member should not be proceeded against for an act or omission in respect of which he has no formal notice that it would constitute misconduct. That would appear to be a sufficient justification for having a standard Code of Ethics. We would like to point out at the same time, however, that a code of ethics cannot, in the very nature of things, be exhaustive and therein lies the danger of a formal code. Unethical conduct being one that brings the profession into disrepute, its possible manifestations are unlimited and the members of the Institute must be expected ultimately to regulate their own conduct with reference to this basic principle. We are therefore of the view that no effort need be made to prescribe an official code of ethics, as that would tend to introduce rigidity without achieving exhaustiveness.

43. The Schedule to the Chartered Accountants Act appears to us to be reasonably comprehensive, particularly taking into account the notification issued thereunder and Regulation 10A. But some of the provisions in these Rules require clarification and illustration, as for instance, the question that having first communicated with the previous auditor, under what circumstances a Chartered Accountant should refuse to accept a position that was previously held by another Chartered Accountant. There are also some questions not directly arising from any of the provisions of the Schedule, like whether a Chartered Accountant should issue a certificate on matters which are outside the scope or possibility of verification by him, on which some uncertainty exists. We would therefore suggest that while the Council need not prescribe an official standard code of ethics, it should encourage publications on professional

ethics by suitable experienced members of the profession. Such publications will to a large measure assist the members in regulating their conduct.

44. We would also suggest that questions involving ethical principles should be examined by the Council as and when they are raised by the members and authoritative advice given through suitable notes for guidance, about which we speak later in this report. The view has sometimes been expressed that it would be improper for the Council of the Institute to give its views on any questions of professional conduct referred to it except on a formal complaint, as otherwise the Council might be embarrassed if later the Disciplinary Committee or the High Court takes a different view of the matter. While it is true that unlike the U.K. Institutes which have the final say in all disciplinary matters, in India the Institute has no such final authority, the High Court having been vested with the ultimate authority. We would say that this will not be a correct approach in the matter. The Disciplinary Committee is an authority subordinate to the Council and its function is to inquire into complaints on behalf of the Council; it is the Council that has to come to a finding. It may be argued that even so the Council would be prejudging the issue if it pronounces on ethical questions without it being seized of any specific complaint. That too is a far too rigid and juridical view to take, wholly unsupported by the provisions of Section 21 of the Act which themselves envisage the Council deciding what acts or omissions would constitute misconduct and then inquiring into any complaints alleging such acts or omissions that might be reported to it.

Procedure in disciplinary cases

45. We have carefully considered the procedure adopted in dealing with disciplinary cases, as it will be altered by the Chartered Accountants (Amendment) Bill. In our view the altered procedure would be a definite improvement. Some doubts have, however, been expressed whether it would be desirable to give to the Council of the Institute the powers to suspend or remove a member from the register for any period. The manner in which the Council has functioned during the last 10 years in this respect gives us no ground to sustain this doubt at the present juncture. In any case the provision in the amending Bill relating to Reviews and Appeals provides ample safeguards. We are of the view, therefore, that the wider powers proposed in the amending Bill may be given a fair trial.

46. It has also been suggested to us that a small Screening Committee should be appointed to help the Council to decide whether a prima facie case exists for a complaint or information to be referred to the Disciplinary Committee for enquiry. This Committee would scrutinise the complaint or information and the written statement received, and make its recommendations to the Council as regards the existence of a prima facie case or otherwise. The Committee would be entitled to call for additional information by post only, and the complainant or the respondent would at the same time have a right of appeal to the Council against any additional information called for by the Screening Committee. All the work envisaged for the Screening Committee can be performed by the Secretary of the Council. There was some doubt, however, whether the Council has

the right to call for any additional information from the respondent by post, in view of Regulation 11(4). During the discussion of the amendments to the Act, the Department of Company Law Administration has already expressed the opinion that the Council has this power also by virtue of Regulation 11(7), and that being so the Council could authorise the Secretary to call for the necessary information. In order to remove any doubt in the matter, however, we would recommend that Regulation 11 should be suitably amended to give the Secretary of the Council those powers specifically.

47. It may be that sufficient information has not been gathered by the Secretary of the Council in some cases to enable the Council to take a prima facie view of complaints and informations in the past. The remedy, however, lies with the Council suitably guiding the Secretary and having him perform his functions properly. The proposed Screening Committee will, in our view, be hardly a solution of the problem as that Committee will again have to be serviced by the Secretary of the Council. Besides, the meetings of the Screening Committee that would have to be held, would unnecessarily complicate the existing procedure and will involve some loss of time as well as result in extra expenditure. We are therefore inclined not to recommend the proposed Screening Committee but instead to suggest that the Secretary of the Council be allowed to function more effectively in the preliminary examination of complaints and information.

48. The view has also been expressed that only professional misconduct should be subject to the discipline of the Council and the Council should have no jurisdiction

in matters involving other than professional conduct. In this connection we cannot do better than to quote from Article 4 of Chapter II of the Official Regulations of "The French L'Ordre National des Experts Comptables et des Comptables Agrées" which reads :

" Since an irreproachable moral reputation is one of the essential conditions for admission as also for the maintenance of the Association, any damage to it constitutes a grave fault. All convictions by common law as well as any irregularities in private life, which could be deemed to attack the dignity of the profession, may, in particular, bring with them penalties including being struck off the list. All members of the Association must abstain, even outside the exercise of their profession, from all actions of a nature likely to bring it into disrepute."

Similarly the Royal Charters of the Institutes in England and Australia also make "any act or default discreditible to a public accountant" subject to disciplinary action by the Institute. Those in our view are very salutary principles for any profession and we therefore do not support the view expressed to us.

49. The suggestion is often made that some time limit should be prescribed within which an action can be brought against a member of the Institute under the disciplinary provisions of the Act, and a period of three years has been proposed in that connection. We have considered this suggestion carefully in the light of the discussions previously held in the Council of the Institute and are not inclined to support it, for reasons of principle and practicability. In this connection we might add that the Council has recently prescribed a period of ten years for which it would expect the members to retain their audit notes and other working papers, which fact, we have no doubt, will be taken into account by the Disciplinary Committee, the Council and the Courts when considering

any case, in keeping with the principles of natural justice.

50. Yet another suggestion made to us is that the complainant should be required to deposit the cost of enquiry at the time of filing of any complaint against a member of the Institute, the deposit being refunded if the complaint is proved and being forfeited otherwise. Such a provision it is contended will act as a deterrent against frivolous and malicious charges being levelled against the members. The suggestion would place a premium on wealth and would make it extremely difficult for persons with insufficient means to bring to the notice of the Council lapses on the part of the members of the Institute. We would therefore not commend it but at the same time we feel that the demand for protection from vexatious and frivolous complaints is a reasonable one and we recommend that a provision might be made in the Act enabling the Council to make a reference to Court in cases where it finds the complaint to be vexatious or frivolous, making the complainant liable to suitable penalty. Unfortunately it has not been possible for us to ascertain in how many cases in the past such a provision would have been invoked, had it been in force.

The Disciplinary Committee or an independent Board

51. The Disciplinary Committee has, in our view, functioned well in the past. It has been suggested to us, however, that as, being a Committee of the Council, it is bound to be influenced by the views of the Council already expressed at the time when the cases are considered by the Council and referred to it, it would be desirable for the Disciplinary Committee to be a body independent of the Council. We feel that this view betrays a misunderstanding of the provisions of the Act. At the first consideration

of a complaint for reference to the Disciplinary Committee the Council considers whether the facts as alleged constitute misconduct. Considering that it is the Council that can decide this question, the decision of the Council being subject to review only by the High Court, there would be nothing wrong in the Disciplinary Committee being seized by the views of the Council in this regard. At this stage of consideration the Council also examines whether the facts alleged are *prima-facie* established and in our experience the Disciplinary Committee has never been influenced by the views of the Council on this aspect of the matter.

52. An independent Board of Inquiry has also been suggested for the reason that the Council very often refrains from expressing any views on points of ethical conduct referred to it, merely because such views might prejudice the Disciplinary Committee were a reference on the point made to that Committee subsequently. We have already discussed this aspect in para 44 above and have nothing to add thereto.

53. We are of the view that it would deter from the concept of autonomy of the profession if there was any judicial authority outside the Council of the Institute except the courts of law. Besides, we do not quite appreciate what an independent inquiring authority, whose report is subject to the examination and decision of the Council, will achieve. We therefore do not recommend such an independent Board of Inquiry.

Corrective and preventive aspects of discipline

54. Lapses from the standards of ethical conduct on the part of the members of the Institute have so far

evoked only punitive action against the offenders. While suitable punishment is and should be inflicted in cases of misconduct, we would emphasise the importance of the preventive aspect of discipline. In our view preventive measures should take precedence over positive measures. The general feeling in the profession is that by far the majority of the members of the Institute are willing and anxious to abide by the rules of professional conduct, but that there is considerable perplexity as to what exactly would be the proper conduct in a particular case. It must be realised that the profession ^{is} in this country still young and there are very few procedents to serve as a reliable guide as to the behaviour expected under any given set of conditions. We have already spoken of the need to amplify and illustrate some of the ethical rules contained in the Schedule to the Act so as to make the rules better understood. Besides, the provision in the Schedule that a Chartered Accountant shall be deemed to be guilty of misconduct if he is grossly negligent in the performance of his professional duties, throws open the entire field of accounting and auditing techniques and procedures to the prying eyes of the Institute's disciplinary authority, and the fact that most of the disciplinary cases dealt with by the Council so far have involved this particular provision, brings out the importance of a correct appreciation of its implications by the members of the Institute if they are to abide by the standards of conduct expected of them. For both these reasons we would recommend that the Institute should issue suitable notes for guidance to its members as and when any malpractices come to its notice or any doubtful points of professional ethics or professional techniques are raised. In this connection we would like to mention that the Securities and Exchange Commission in the U.S.A. also issued some literature of this type in a booklet form.

showing the existing lapses and suggesting proper methods of approach. This type of work is also being done by other agencies in the U.S.A. and, in some other countries as well. We might add that one of the witnesses who came before us, while supporting this suggestion said that it must be realised that the tone of business morality in the country still leaves much to be desired, and under the prevailing circumstances, members are often confronted by their clients with the demand that the point of view propounded by them should be supported by something in writing in the Act or the regulations governing the matter. In regard to the questions which are not specifically covered by the various Acts or regulations governing commerce and company law and matters which concern degrees of professional conduct, a member who wishes to uphold proper standards finds it difficult to convince the client that the member's point of view is reasonable. Existence of formal literature governing the members' professional obligations would not only serve to strengthen the members, who are generally desirous of achieving professional standards but would also serve to ensure that other members of the Institute without exception observe the same standard and insist on similar requirements and would thereby remove a common cause of lapses from accepted standards on the part of the members of the Institute.

55. The Institute has recently published a book containing the judgments delivered by the High Courts in the disciplinary cases disposed of by them, which is a step in the right direction. While such a publication has its own value for purposes of reference in disciplinary proceedings, we would suggest that the Institute should also issue in future suitable notes for guidance giving in a

concise form the points in issue in any particular case and the decisions taken on it, such notes for guidance together with any other notes affecting the conduct of the members issued by the Council being periodically consolidated in a booklet form under suitable headings.



CHAPTER IV

TRAINING FOR ENTRY INTO THE PROFESSION

Enrolment of Students

56. At present the Institute allows Intermediate passed candidates to undertake training for the profession after they have qualified at a preliminary examination held by the Institute. Graduates are, however, exempted from the preliminary examination. The general feeling amongst the members of the profession whom we interviewed appears to be that the quality of the candidates for the profession leaves much to be desired. Various suggestions were made in that connection and they have been carefully considered by us. We are of the view that it would be undesirable to raise the existing qualifications for entry into the profession, but at the same time something needs to be done to ensure that the training is undergone only by those who have an aptitude for the profession. Raising the qualifications for entry to that of graduation, or to graduation in commerce only, is not likely to help in that direction. Aptitude can be satisfactorily judged only by watching the performance of a candidate in the type of work that the profession involves. We recommend therefore that employers should insist on prospective articled clerks working with them for a period of at least two months so that the employer can judge at the outset whether the candidate is temperamentally inclined to the profession of accountancy, and enter into formal articles with the clerk only if he is satisfied at the end of that period that the candidate is suitable for the profession.

57. It has been suggested that the standard of the preliminary examination of the Instituto should be that equal to the Intermediate examination in Commerce with proficiency in English, if not equal to that of a degree examination in Commerce. The existing syllabus of the preliminary examination includes papers on elements of book-keeping, the elements of economics, commercial arithmetic and economic and commercial geography. Considering the existing syllabus for the Intermediate and the Final examinations of the Instituto we are of the view that the existing syllabus of the preliminary examination is of the requisite standard and requires no change.

58. The Institute's rules require a student entering into articles to register with the Coaching Board of the Institute for theoretical training within 10 days of the commencement of articles, whereas the articles themselves can be registered with the Institute within 60 days of their commencement. Thus a student has to register with the Institute separately for theoretical and practical training. We consider this duplication unnecessary and would suggest that the present procedure for enrolment should be suitably altered so that the registration of articles and the registration with the Coaching Board is made simultaneously within 15 days of the commencement of articles.

Theoretical Training

59. The Institute has recently introduced a system of compulsory postal tuition for all candidates for the profession. Under this scheme every student is provided a number of studios on each subject of the Intermediate and Final examinations and is expected to answer a Test

Paper at the end of each study, which is returned to him after correction along with model answers to the Test Paper. Before each examination an optional course of revision lectures is arranged at the various regional headquarters. The rules of the Institute require a student to obtain a certificate of satisfactory completion of the postal tuition course from the Director of Studies before he can be admitted to the examination. The scheme was introduced only a short while ago and the first batch of students under the scheme that appeared at the recent examinations of the Institute showed an improvement in results. We are therefore of the view that the Coaching facilities recently provided by the Institute should be continued. We would suggest, however, that the Council should examine the possibility of introducing Guarantee Courses, as is the practice of the Coaching institutions abroad.

60. It has been represented to us that students taking up articles after graduation in subjects other than Commerce do not have the necessary basic grounding in accounts to enable them to benefit from the training. We suggest, therefore, that the Council should also examine the possibility of introducing a new Articled Clerk Course for those who are not Graduates in Commerce. The course should be a short one, devised to give the Articled Clerk of a basic grounding in the theory/accounts. In such cases the Director of Studies shall issue the Intermediate Course of study papers only after satisfactory completion of the new Articled Clerks Course.

61. Apart from the study papers provided under the Coaching Scheme, the students have mostly to rely on text books published abroad. Though the theory and principles

of accounting and audit propounded in these text books are equally applicable to this country also, the application of the theory and principles can vary under varying conditions. We therefore consider it desirable that the Institute should encourage the writing of suitable text books by authors having wide knowledge of Indian conditions. We also recommend that in addition to the study papers and text books the attention of students should be invited to useful literature appearing elsewhere, including that available in the articles appearing in various professional journals. Besides, the subject of accountancy is a dynamic one and is affected by legislation as well as by the constantly changing pattern of economic organisation. We consider it desirable therefore that suitable notes for guidance should be issued to the students as and when necessary, clarifying the latest enactments and rulings etc. that would be of interest and use to the students.

62. Though the postal tuition introduced by the Institute shows promise and is generally appreciated, it has been represented to us that postal tuition is at best only a substitute for oral tuition. It was only because of the vastness of the country and the scattering of the students that a postal course of training had to be introduced. We recognise that arrangements for oral tuition cannot possibly be made for all the students and that it would also not be feasible to arrange for the practical training of the students in the bigger cities to enable them to attend a coaching institution. Nevertheless we are of the view that arrangements for compulsory oral tuition should be made at least in the bigger cities, where the regional headquarters are located, and there is a sufficient concentration of students so that at least a portion of the

students can benefit from it. The oral tuition should be imparted throughout the year and should supplement the postal tuition. For about three weeks prior to each examination a short but intensive course of revisional lectures should also continue to be arranged, at present.

63. We have also discussed the possibility of introducing some scheme requiring Articled and/or Audit Clerks to attend residential institutions or universities for a specified period of time. While such a scheme exists in some of the other countries, we are of the view that in the existing circumstances prevailing here such a scheme would be difficult to implement. We refrain, therefore, from making any recommendation in this regard.

64. A suggestion was made to us that in addition to the Coaching Board at the centre, similar Boards should also be formed at regional headquarters. We feel, however, that the constitution of formal Coaching Boards in the regions would detract from the responsibility of the Board at the headquarters of the Institute. The Coaching Board has already constituted Advisory Committees in the regions, and have associated the Regional Councils with these committees. As was to be expected under a system of postal tuition the Advisory Committees have not had to shoulder very many responsibilities so far. When the number of students registered with Coaching Board increases, and specially if oral tuition at regional headquarters is arranged as suggested by us, the Regional Advisory Committees would be in a position to render effective help and cooperation to the Coaching Board. We, therefore, consider the constitution of Regional Coaching Boards to be unnecessary.

65. Some suggestions of a minor nature were also made to us, like the payment of coaching fees in instalments and expedition in the return of corrected answer papers to the students. These are, however, matters of detail and we have no doubt that the Coaching Board is aware of such problems.

Articled Clerkship

66. The rules of the Institute now prescribe a uniform period of 4 years of articles for the candidates for the profession. It has been represented to us that this is too long a period and causes hardships to the students. Various suggestions have been made to curtail the period of practical training either to three years in all cases, or for Graduates or only for Graduates in Commerce. In our view it would be difficult to impart adequate practical training under the existing system in any period less than 4 years, specially when provision is being made to permit and encourage the Articled Clerks taking industrial training for a period up-to one year within the period of articles. We are therefore of the view that the duration of training should not be altered.

67. Under the present arrangements the employer training an Articled Clerk takes full responsibility of the practical training and the Institute gives him no guidance in that matter. It has been observed that barring a few exceptions in actual practice the employers take hardly any interest in the training of the Articled Clerk and no conscious efforts are made in that regard, the Articled Clerk being left to make the best of the opportunities available to him in the employers' office. The training taken by him is consequently unsatisfactory. There is some force in this contention. We feel that something

needs to be done in this regard. It would be difficult for the Institute to immediately prescribe a standard programme for training of Articled Clerks and to enforce such a programme, as has been suggested by some witnesses because conditions and composition of work vary from office to office. But we would suggest that the Council should recommend to the members of the Institute entitled to take Articled Clerks, to themselves evolve a programme of training for their Clerks keeping in view the types of work and the programmes followed in their own offices. For this purpose the Council could publish a note on the lines of the recommendations in this regard issued by the Institute of Chartered Accountants in England and Wales. After gaining experience of the types of programmes evolved by the employers themselves the Council could perhaps draw up over the time, a model programme for training of Articled Clerks, to serve as a guide to employers.

68. At present an apprentice serves the entire period of his articles with one employer and his training is therefore restricted to the types of work that the particular employer may happen to have. It is not always that a Chartered Accountant has a variety of work to enable a sufficiently comprehensive practical training of the apprentices. In a large number of cases Chartered Accountants concentrate on particular types of work, almost to the exclusion of others. This deficiency could be met by suitable transfers of Articled Clerks from one employer to another in the interests of comprehensive training. Opinion in the profession appears to be somewhat evenly divided on this question. We have carefully considered the matter and though we have sympathy for the employers, as the work of their offices may perhaps be dislocated to

some extent by such transfers, we feel that the training of entrants to the profession should be viewed by the employers as a privilege and the requirements of training should be given precedence over other considerations. The special relationship between Articled Clerks and employers and their mutual obligations would, however, present practical difficulties in the Institute enforcing any compulsory scheme of such transfers. It is to be hoped that the employers, at any rate the more progressive amongst them, would themselves help their Articled Clerks to gain experience of types of work not available in their offices, by arranging for their Articled Clerks to serve for short periods with other Chartered Accountants who are in a position to give training in other types of work. We recommend therefore that in the interests of comprehensive training, transfers of Articled Clerks from one employer to another should be allowed where the employers mutually agree to such transfers. The employer transferring his Articled Clerk should not be allowed to take in an extra Articled Clerk in the resulting vacancy, and the employer to whom the Clerk is transferred should be allowed to exceed his quota of such Clerks to the extent of the number of Articled Clerks he receives on transfer, the excess being permitted for a period not exceeding 6 months.

69. We have been somewhat surprised by the fact that the opinion gathered by us from the profession through written memoranda and discussions is almost unanimous that the practical training at present imparted to the apprentices leaves much to be desired. To quote one of the member witnesses - "The practical training, I may be permitted to say, has however failed to receive the serious attention it deserves. With respects to all, the question of finding

a solution to the problem of practical training has at times been influenced by extraneous considerations. It is very well known that the scope of practical training which the Articled and Audit Clerks have at their disposal in many a case today, is not at all satisfactory. With poor and/or inadequate professional work in the hands of many an accountant today, chances of proper and adequate training to the Clerks are further receding. The seriousness of the situation emerging as a result of such growing deterioration in the standard of practical training, when the profession is being looked upon to assume larger and more onerous responsibilities, cannot be too highly emphasised. It is a matter which should create anxiety in the mind of every one concerned". Various suggestions for improving the minimum standards of training have been suggested to us. One suggestion was that a practical test should be held at the end of each year of articles, another that it should be made compulsory for the employers to maintain an adequate professional library of reference books before they are allowed to take Articled Clerks. yet another that the Institute should draw up a list of suitable offices for training after carrying out a scrutiny of the members' practice, as was done under the Auditors' Certificate Rules, and should allot Articled Clerks to employers on the approved list.

70. The root cause of the somewhat indifferent training imparted at present appears to be the fact that employers are allowed to take Articled Clerks merely with reference to the period during which they are in practice without any relation to the experience they can impart to the Articled Clerks. The obvious remedy that suggests itself is that there should be a scale of minimum quantum

of work considered necessary for an accountant to have before he could be in a position to adequately train one or more Articled Clerks. The 'quantum theory', as this suggestion has come to be commonly known in the profession, was advocated and discussed in the Council of the Institute in 1954 but was dropped in the face of stiff opposition from within the profession. Experience gained during the interval however appear to have turned the tide and evidence gathered by us now is overwhelmingly in favour of something being done in that direction. It would be appreciated that there is some justification in the criticism of the quantum theory, as it was propounded in 1954, that a member should not be made to feel that the Institute is carrying out inquisitorial and prying enquiries into his practice. Besides, a composite yardstick of work, considering the variety of different types of work and the difficulties in the measurement of work from the point of view of training opportunities it offers, is not only bound to be imperfect, but may prove extremely difficult to evolve. We feel therefore that it would be necessary to supplement any prescription of scales of work by other suitable measures designed to ensure adequate practical training of Articled Clerks.

After a detailed consideration of the matter we recommend that:

- (i) A yardstick with reference to the quantum of work should, if possible, be prescribed for purposes of determination of the number of Articled Clerks that an employer should take.
- (ii) It should not be necessary for an employer to intimate to the Institute the particulars of his work. At the time of registration of Articles the employer should instead certify to the Institute that he has sufficient work according to the scales prescribed to justify his taking the Articled Clerk,

- (iii) The Council should obtain from each employer and Articled Clerk jointly, an annual certificate to the effect that the Articled Clerk has actually been employed on professional work throughout the year except for periods of leave availed.
- (iv) Notwithstanding the scales of work prescribed, if any, employers should not be allowed to take more than one Articled Clerk for each paid employee exclusively employed on professional work by the employer, subject to a maximum of three Articled Clerks per employer.

In view of the fact that Audit Clerks are also paid employees, and may be receiving small salaries more in the nature of stipends, we further recommend that Audit Clerks should not be counted as paid employees for this purpose, unless they receive a salary at least equal to the emoluments permissible to a Lower Division Clerk in the State Government concerned.

In making the suggestion that there should be a scale of Articled Clerks based on quantum of work we are aware that a suitable yardstick may prove extremely difficult to prescribe. Even if a yardstick of this type is found impracticable, we are of the view that the other two suggestions made above would go a long way in achieving the objective to ensure that members taking Articled Clerks have sufficient work to provide the necessary opportunities to the apprentices.

71. Though we have suggested certain ceilings on the number of Articled and Audit Clerks that the practising members might be allowed to take and up to these limits it should not be necessary for the employers to supply to the Institute the particulars of work they have, we would also suggest that some provision should be made whereby a member could take additional Articled/Audit Clerks over and above the prescribed limits if he can satisfy the Council that he has a sufficient quantity of work for them, and for this purpose there should be no objection to the Institute asking for the necessary particulars of work from the

members concerned, to justify additional clerks.

72. It has been observed that the progress made by apprentices in practical training is not watched at present in any manner and it has been suggested by a number of witnesses that employers should be asked to submit progress reports on their Articled Clerks to the Institute annually or every six months. We have already commended an annual certificate of the employment of Articled Clerks on professional work. A more detailed and qualitative report would, in our view, not serve any useful purpose as the Council of the Institute will not be in a position to take any effective action thereon. The quality, extent and intensity of practical training is very much a matter for the conscience of the employers and there can really be no effective alternative to a periodical and conscious stock-taking of the progress of their Articled Clerks by the employers themselves. We suggest therefore that the Council would do well to make a recommendation to the members of the Institute in that regard.

73. The question whether Articled Clerks should be allowed to pursue other courses of study during the period of Articles is one that has been discussed time and again in the Council of the Institute, and continues to raise a controversy. It has been felt that pursuit of other courses of study diverts the attention of the Articled Clerks from their training in accountancy and should therefore not be permitted. It is argued that if a person has resolved to make the profession to which he is apprenticed his business in life, it should not cause any hardship to him if he is not permitted other courses of study. On the other hand, it is argued that in the

event of an Articled Clerk not succeeding at the final examination after 4 long years spent in practical and theoretical training, he would be completely at sea if he was not in a position to take to a different career; an Articled Clerk should therefore be allowed some scope of studying for other examinations also alongside their training in accountancy. At any rate, it is argued that such permission should be given to those who have a good academic record and are certified by employers to be hard-working enough to be able to cope with more than one course of study. It has also been suggested that the study of subjects allied to accountancy outside office hours should not interfere with training and should not only be permitted but encouraged.

74. This question has been carefully considered by us and we have not been able to come to any unanimous agreement. While the majority of us appreciate the arguments given in favour of other courses of study being permitted, these arguments lose much of their force in view of our recommendation that the prospective Articled Clerks should be employed and watched for a period of at least two months to judge their suitability for the profession before registration of articles, which would permit of the unsuitable candidates being weeded out early enough to enable them to embark on other careers without waste of time. The majority view of the Committee therefore is that Articled Clerks should not be allowed any other courses of study during the period of articles.

75. It has been represented to us that leave allowed to Articled Clerks is somewhat liberal. The Articled Clerk is at present entitled to 8 months leave of absence during

articles, on the basis of 1/6th of the total period of the articled service. Besides this, there are roughly 208 Sundays and about 120 gazetted holidays in the 4 years of articles. Thus the effective period of apprenticeship is reduced to about $2\frac{1}{2}$ years. The suggestion has therefore been made that the period of leave should be reduced to 1/12th of the period served. We are of the view, however, that considering the preparation for the examinations that an Articled Clerk must also do, either no change in the leave rules be made or leave should be readjusted in such manner as it may enable the clerk to be on leave in time for preparation prior to the examinations.

76. The prevailing system of premiums is often the subject of severe criticism both from inside and outside the profession. According to the rules prevalent, premiums of amounts not exceeding Rs.3000 can be realised by the employers from their Articled Clerks as security for the latter discharging their obligations and maintaining the discipline expected of them, and the premium is refundable. In actual practice the full permissible amount of Rs.3000 is charged in many cases and complaints have been made that some of the employers do not actually refund the premium to the Articled Clerks. We have also been told that not only are the Articled Clerks not paid anything for the services they render to the employer during the period of training but in fact in a few cases employers have even been known to employ prospective Articled Clerks as unpaid Clerks in their offices for prolonged periods while waiting for a vacancy in the permissible limit of Articled Clerks allowed to the employer, and it is alleged that some even realise extras over and above the premium which is not refundable. That such a

system of training should be considered pernicious by the public at large is but natural. The circumstances of the profession are such that it is unfortunately not possible to evolve a different system of practical training. Accountancy is not a subject capable of laboratory treatment like science. But we feel that in their own interests and in keeping with the dignity of this honourable profession the members of the Institute should do everything in their power to live down this criticism, whether warranted or otherwise. Some of the suggestions made to us that there should be no ceiling limit placed on the amount of premium and there should be no compulsion for its refund would only serve to accentuate the criticism. We would, on the other hand, suggest that the Institute should recommend to its members that in order to make it possible for bright students without substantial means to enter the profession, the amount of premium taken should be voluntarily reduced and the more progressive employers may even consider taking Articled Clerks without charging any premium. In any case the premiums realised must be refunded in suitable instalments over the period of articles. The Council should also recommend that whether premiums are realised or not, the employers should consider the possibility and desirability of paying suitable stipends to their Articled Clerks in appropriate cases at their discretion.

77. In closing our discussion of the training of apprentices for the profession we would like to emphasise the importance and seriousness of this matter by noting that two representatives of important business houses, themselves members of the Institute, told us that in their experience the quality of Chartered Accountants

produced by the Institute at present was so deficient from the point of view of employers in industry that both these business houses were now considering recruiting to their accounts departments boys with no accounting training or qualifications and thereafter train up their staff themselves.

Audit Clerks

78. The institution of audit clerks, being whole-time paid employees of practising accountants and at the same time being apprentices for entry into the profession as its fullfledged members, is peculiar to this country. The audit clerk being a whole-time paid employee he is under an obligation to devote his undivided attention and energies to the work of his employer and cannot alter or modify his programme of work to suit the requirements of his preparation for entry into the profession. The employer also is under no obligation to go out of his way in the least to provide the necessary opportunities for gaining experience that an apprentice for the profession requires. The audit clerk is therefore left to the vicissitudes of luck to gain the requisite degree of experience necessary to make a fully qualified accountant. Such a system of training can obviously not be considered a very satisfactory one. It was for this reason perhaps that the Expert Committee had recommended that the system of audit clerks should be abolished, and no enabling provision for them was therefore made in the Chartered Accountants Act in 1949. However the system was recognised, perhaps accidentally, in the regulations framed under that Act and has managed to survive the recommendations of the Export Committee. This matter was the subject of a very frank discussion in the Council of the Institute a

little while ago, and the Council recognised the unsatisfactory nature of the system of training, but instead of abolishing the system the Council decided to restrict the number of audit clerks to two per member for reasons that we shall mention presently.

79. While some of the witnesses that came before us have urged the abolition of the system of audit clerks the general consensus of opinion is in favour of their continuance. Apart from the intrinsic drawbacks of this system of training, mentioned in the para above, the opponents of this system told us that in some cases audit clerks were employed without remuneration thus negativing the whole basis of this system of training, viz. that promising but poor youth should also be given a chance to qualify for the profession. Indeed we were informed that the restrictions on the number of article clerkships available had led to an increase of this practice.

80. We recognise that the system of audit clerks is not all that could be desired but if the raison d'etre of this system is appreciated and the system is worked in the manner and in the limited sphere for which it was intended, we feel that the system is a useful one, notwithstanding its failings. It is not unusual for an employer to find amongst his paid employees an individual who shows such intelligence and promise that the employer wonders whether, given the opportunity, the employee could not successfully take his place one day. In a poor country like ours, deserving students very often find it difficult to continue their studies or to bide the long period of waiting involved in gaining entry to a profession. They have perforce to work their way up in

life from small beginnings, and cannot possibly afford to pay a premium or work without remuneration for a period of four years which articleship involves. It was for such promising individuals, amongst the regular paid staff of practicing accountants, that the system of audit clerkship was evolved to give them a chance to make their way up into the profession. The social need of providing such an opportunity cannot be denied. We are therefore of the view that the system of audit clerks should be allowed to continue subject to the restriction recently imposed by the Council, and efforts should be made by the Council of the Institute to rid this system of the practices that have grown into it. In particular we suggest :

- (i) the intention of the system being to enable promising employees from the regular staff to qualify as accountants, no person should be registered by the Institute as an audit clerk unless he has been in the employment of the principal for at least six months prior to registration, during which period the principal should be able to decide whether he is a suitable candidate for the profession, and
- (ii) the Council of the Institute should ensure that the audit clerks are paid a reasonable salary both before and after the registration of audit service. Failure in this respect on the part of an employer should be viewed with disfavour.

81. Suggestions have been made to us for a reduction in the period of audit service from 8 to 6, or even 5 years. It is contended that eight years is too long a period and as in actual practice there is not much difference between the training of articled and audit clerks, it would be reasonable to reduce the period of audit service to six years at the most. If opportunities for training given by employers to their articled clerks are not to-day very much different from those available to audit clerks, it is the situation of articled clerks that requires to be remedied, and we have already made some suggestions in that regard. Audit clerks being persons who are 'learning on

the job' and in view of what has been stated earlier, we are of the opinion that the prescribed period of audit service is not capable of any reduction.

82. Suggestions have also been made that the limitation recently placed on the number of audit clerks should be withdrawn, or that the number of audit clerks should be equal or twice the number of articled clerks that a practising accountant is allowed to take. Considering the abuses to which this system has been subject and the category of persons for whom it is actually intended, we are of the view that no change should be made in this respect.

83. As regards the rights and privileges of audit clerks it has been suggested by some witnesses that they should be treated in the same manner as articled clerks. This suggestion ignores the essential difference between the audit and articled clerks in that while the former are regular paid employees, the latter are apprentices under training. In our view therefore the mutual rights and obligations and duties and privileges should be left to the terms of the service contracts between the employers and the audit clerks.

Industrial Training

84. The representatives of some of the large business houses employing accountants in their organisations, mentioned by us earlier, told us that whatever be the value of the practical training at present imparted through articled and audit services, for purposes of public practice of accountancy, their experience was that now entrants to the profession were not adequately trained for purposes of employment in the accounting departments

of commercial and industrial concerns. While they could perhaps perform the auditing operations satisfactorily they were not able to draw up books of accounts or do the other work generally performed by accountants in industry. The other members of the Institute are also generally agreed that it would be desirable to give some industrial training to articled and audit clerks so as to fit them for employment after qualification. A few of the witnesses have gone so far as to suggest that such training should be made compulsory. In our view industrial training would be highly desirable but adequate facilities for it may not be available and at any rate it need not be compulsory to start with. We suggest that the Institute should encourage articled clerks to take suitable industrial training as and when they can find opportunities for the same.

85. As regards the duration of this training various periods extending from three months to two years have been suggested. While some have hold that industrial training should precede articled service, and some that it should come at the end of such service, others felt that industrial training would be most beneficial if taken during the latter half of the articled service. Keeping in view the comparative importance of training with practising accountants and industrial training we are of the view that the industrial training should not exceed one year and that it would be most beneficial if taken during the latter half of the articled service.

86. In view of the variety of establishments in which industrial training might be taken it would not be practicable to prescribe any hard and fast programme for such training. We would suggest that during industrial training roughly 3/4ths of the time should be devoted to the

accounts department of the establishment including the stores and sales departments, and the rest to the management side. Industrial training should be permitted only when it is taken under the supervision of a member of the Institute and suitable progress reports should be obtained from the member supervising the training.

Students' Associations

87. The Students' Associations formed by the Institute have not shown much signs of activity. Such associations can be very helpful in developing an esprit de corps amongst the new entrants to the profession. The contacts that such associations help to establish and the extra-curricular activities that they can undertake go a long way in broadening the outlook of the students and in smoothening out the inevitable difficulties experienced by those who depend by and large on postal instruction. We would therefore suggest that students' associations should be encouraged and helped in organising their activities. These associations should continue under the over-all supervision of the Regional Councils and should send periodical progress reports of their activities to the Council of the Institute,

CHAPTER V

PROFESSIONAL EXAMINATIONS

88. It was adduced in evidence before us that the frequency of the examinations should be reduced to one per year instead of two as at present. We considered this question very carefully, particularly from the point of view of ensuring that students appear at the examinations only when they are adequately prepared for them. It might be mentioned that the Chartered Accountants Regulations, as recently amended, and the Rules of Coaching Board now contain some provisions to ensure adequate preparation before appearance at an examination. The Regulations prescribe that a period of at least 18 months of articled service or 3 years of audit service must elapse before a student appears at the Intermediate examination and not only should he be serving the last six months of articles or audit service but at least a period of 11 months should elapse from the date of passing the Intermediate examination before the Final examination is taken. Secondly, the Regulations also provide that candidates for an examination must produce a certificate from the Director of Studies of the Coaching Board to the effect that he has satisfactorily undergone a course of tuition for the minimum period prescribed, without which he would not be permitted to sit for the examination. In view of these safeguards we suggest that the frequency of the examinations should be maintained at two per year as at present.

89. At present the examinations of the Institute are held in the months of May and November. It was pointed out to us that May is unsuitable from the climatic point of view for holding the examination. We suggest that the Institute might consider the

possibility of holding the examinations in January and July or in March and September, subject to suitable accommodation being available at the examination centres.

Syllabus of examinations

90. During the course of evidence some suggestions were made concerning the syllabus of the examinations of the Institute. It was proposed for instance that the double accounts system, royalties, hire purchases, instalment system and banking should be excluded from the present syllabus and instead management accounting, secretarial practice, book-keeping, a full paper on taxation and another on costing, and the elements of Indian system of accounting should be introduced. Another suggestion was that management accounting, advance direct taxation, advance cost and works accountancy, advance secretarial practice, and Government system of audits should be introduced into the syllabus as optional subjects. We have considered these suggestions carefully and are of the view that no major revision of the subjects and syllabi of the examinations need be made for the time being. We would however suggest that there should be one full paper on cost accounts in the Final examination and the half paper on statistics which is at present coupled with the cost accounts paper in the Final should be transferred to the Intermediate examination as part of the paper on General Commercial Knowledge.

Board of Examiners

91. The view has been expressed that the standard of examinations conducted by the Institute at present tends to be erratic. It was suggested that this was due to the examinations being conducted by the Examination Committee itself the personnel and policies of which are liable to

change from year to year. Besides, the conduct of examinations is a somewhat specialised job and needs a particular type of expertise, not ordinarily available amongst those who are not associated with education. We find ourselves in agreement with these views and would recommend that the Institute should appoint a Board of Examiners on a semi-permanent basis, say for a period of 5 years, consisting of experts picked out not only from within but even from without the profession. The Board of Examiners should be in charge of the conduct of the examinations from the stage of the setting of papers to the declaration of results and should function in accordance with the policies laid down by the Examination Committee and approved by the Council. The Examination Committee which consists of professional men, who neither have the necessary time to devote to this work, nor have the requisite expertise in the subject would thus be able to confine itself to the over-all supervision of the examinations on the basis of broad principles that in their view should guide the quality and standard of the qualifying examinations.

92. It has been pointed out to us that the method of marking of examination papers is such that uniformity of marking cannot be assured, and it has been suggested that the paper-setters should act as head examiners and should re-examine 10% of the papers marked by the examiners, or that they should re-examine the papers of those candidates who either fail by a few marks or obtain over 65% marks from the examiners. In view of our recommendation of a Board of Examiners, we would like to make no suggestions in this regard but leave the matter to the Board of Examiners.

93. The Committee considered the desirability or otherwise of allowing students to pass the Final examination by groups. Opinions varied widely on this subject. While some of the witnesses have advocated the abolition of the groups altogether, others desired the papers of the Final examination to be spread out evenly over the years of articles; while some others have not only supported the existing system of groups but have suggested that candidates should be encouraged to pass the examination by groups. After mature consideration the majority of us have come to the conclusion that in the interests of quality and integrated knowledge the present system of passing by groups is not desirable. We would recommend that the Final examination should be divided into two parts and the candidates must compulsorily take each part separately at separate examinations. The first part should be allowed to be taken only one year after the Intermediate examination and at least another year must elapse between passing the first part and taking the second. We would also recommend that if the candidate passes the first part but fails to succeed in the second at four successive examinations, he should be made to reappear for the first part again.

94. We would also like to touch upon a matter of relatively minor detail. The procedure for registration for examinations can be simplified if the candidate is made to apply for registration on a form which contains a perforated receipt form which can be filled up by the office of the Institute and returned to the candidate. The receipt form should be so worded that mention is made in it of the fact that the registration is subject to scrutiny of the eligibility of the candidate. That would help in quicker disposal of applications for registration. The Institute might also consider the feasibility of including an 'admit card' form of registration.

95. While the examinations conducted by the Institute can adequately test the theoretical knowledge of the candidates, and we have tried to suggest measures to ensure adequate practical training, the fact remains that our suggestions would provide only certain safeguards and checks in the field of practical training. In view of the criticism that the new entrants to the profession fall short of the expectations of employers and the practical difficulties in testing the experience gained during the articled and audit service, it has been suggested that a general viva-voce test should be held after the Final examination before an individual is admitted as a member of the Institute. Evaluation of a candidate at a viva-voce test can in the very nature of things not be exact, and tends to be subjective. While such a test would go a long way in raising the quality of the entrants to the profession if it is properly conducted, we are of the view that the stage in the development of the Institute has not yet arrived when it could embark on such an experiment without laying itself open to a certain amount of criticism. We would therefore not recommend such a test at the present juncture.

CHAPTER VI
SERVICE TO MEMBERS

96. One of the witnesses has stated in his memorandum to us that - "Till now our Institute has functioned as a body examining entrants to the profession, enrolling members and enforcing discipline on them. If the Institute should be a useful body it must be based on service to members". Another witness has been more vociferous. He stated, "There can be no two opinions that at present the Institute is discharging the functions of a Body of Executioners rather than actively helping the profession an organisation to help the members of the Institute with technical advice, and in good time, is a crying need of the hour". The evidence that we have collected is unanimously critical of this aspect of the functioning of the Institute. The general view is that very little is being done to actively help the members of the Institute to maintain adequate professional standards. We would like to observe that the regulation of the profession involves not only administrative control but also the furtherance of the legitimate interests of the members of the profession. We would commend to the Council of the Institute the concept of service as a basis for the functioning of the Institute.

97. The Institute could render service to its members by advising them on the accepted principles of audit and accounting, by issuing notes for guidance of members from time to time, and pamphlets on topical subjects of interest to the profession, by arranging to answer the queries of the members of the Institute, by holding seminars and conferences - regional, national and international, by arranging refresher courses for

the members of the Institute and by providing assistance to members to broaden their general outlook. All of these methods and more, we recommend. The view has sometimes been felt in certain quarters that the Institute should not lay down the accepted principles of audit and accounting or issue notes for guidance of members or undertake to answer their queries as these might be embarrassing to the Council of the Institute in the discharge of its disciplinary functions. This aspect of the matter has already been discussed by us in an earlier paragraph of this report. We are of the definite opinion that neither are such activities barred by any legal provisions nor would they embarrass the Council in any way.

98. One of the organs of providing assistance to members is the journal of the Institute. There is a general desire amongst the members of the Institute that the standard of the journal should be considerably improved. At present the journal is in charge of an honorary Editor without any paid editorial staff and no payment is made for articles contributed to the journal by the members of the Institute. We would suggest that in order to improve the quality of the journal and make it more useful:

- (i) a whole-time paid editor with the necessary editorial staff should be appointed,
- (ii) the articles contributed to the journal and accepted for publication should be suitably paid for where necessary, and
- (iii) an Advisory Editorial Board should be set up to guide the editorial staff.

99. While on the subject of the journal we would also like to deal with its Student's Section. A suggestion has been made that there should be a separate journal for students, but we would not recommend it at the present juncture. In addition to the suggestions made above it has been suggested that the students' section of the journal should

be the responsibility of the Coaching Board. We would not like to detract from the responsibility of the Editor and the editorial staff suggested by us by making the Coaching Board responsible for this part of the journal. But we would suggest that the Director of Studies can and should be associated with the students' section of the journal.

100, At present the library facilities available to the members of the profession are very limited. The Institute has a good library at its headquarters, but not being a lending library very little use is being made of it. According to the statistics available since the beginning of 1957 the average number of persons using the library was less than 3 per day and the average number of books issued to them was a little over one per member. In the previous two years the figures are even lower. There are small libraries at regional headquarters, but these also do not lend books and not much use is made of them. In a vast country and with scattered membership it is obviously not possible to provide library facilities to all the members within easy reach, and if the libraries are located only in the more important centres they are bound to remain unused. We would, therefore, suggest that the existing library facilities should be extended; the regional libraries should be strengthened, reading room facilities should be provided where possible, and though reference books should not be lent out, arrangements should be made for lending other books against suitable deposits.

101. In view of the prohibition of advertisements by individual members contained in the rules of Conduct the assistance which the Institute can render in the matter of employment of members assumes special importance.

About two years ago the Council formed an Employment Committee to do something in this regard. The Committee collected information concerning the unemployment or under-employment of the members of the Institute with a view to assisting the members in finding work. The idea was for the Institute to try and work as an employment exchange. It is our impression, however, that this Committee could not achieve very much. We feel that a certain amount of publicity of the professional activities as a whole by the Institute would go a long way in making the country more accountant-minded. In this connection we would like to draw attention to the bold efforts that the American Institute of Certified Public Accountants is making to enlighten the public as to the real functions of Accountants. The lay public generally tends to misunderstand their functions and the Institute in that country has performed a valuable service in enlightening businessmen and members of the public as to what they may expect from accountants and what they should not expect from them. The Indian Institute also has an extensive field of activity in this domain, namely, to enlighten the general public, businessmen and Government as to what the accounts prepared by the profession mean and what they are capable of revealing. It is also important to explain to the public the meaning of the Audit Report and the significance of an unqualified report by a Chartered Accountant. Our attention has also been drawn to a film, named 'Accountancy the language of Business' which has been prepared and exhibited in the U.S.A. at educational institutions etc. where propaganda has also been carried on through the medium of broadcast to educate the public regarding the usefulness of the profession. Pamphlets have also been printed and distributed widely to explain the utility, the procedures and the limitations of the profession. This is a promising and important field

of activity, and a challenging one, which the Institute has not so far explored.

102. It has also been stated in evidence that the conditions of employment of the members of the Institute in professional and other spheres are far from satisfactory and new entrants to the profession do not get a fair chance as they have not the same scope, access or facilities to attract work as their senior brethren have. It is this feeling which has been mainly responsible for demands such as the abolition of partnership firms, the appointment of auditors in individual names, the abolition of the practice of purchase and sale of goodwill, etc.

103. We have already discussed the merits of the system of practice through firms. In order to increase the employment opportunities for the junior members of the profession, however, it has been suggested that the senior members of the profession should associate the junior members with their work, specially when undertaking audits of large concerns. We have considered this suggestion carefully and feel that it would be impractical in view of the concept of joint and several responsibility in audit. Furthermore, whether an audit should be performed by one or more auditors is a matter entirely within the province of the client. We therefore do not support this suggestion. In order to help the junior members of the profession, however, and to improve the quality of service rendered by the profession we suggest that the Council should recommend to the members of the Institute to maintain a reasonable proportion between qualified and unqualified assistants employed by them, and thereby offer increased employment to members of the Institute. We would also

suggest that the Council should recommend to the members of the Institute that the senior amongst them e.g. members with 15 years' standing or over, should not accept professional work below a certain fee.

104. In any profession, specialisation is a stage in its evolution. When a profession is young, its members do not specialise, but they claim to be what we may describe using the language of another profession, as 'General Practitioners'. It is only when a profession is intensively developed in various fields and has been in existence for some time that specialisation takes place. It should not, therefore, be a matter of concern that the profession in this country has not specialised. But in our view the time has now come when the growing complexities of industry and finance and of legislation, particularly in the field of taxation, would require specialised services. The Council should therefore encourage specialisation in various branches of professional work by the members of the profession, which amongst other things, will reduce the pressure on the 'General Practitioner'. For this purpose it would perhaps be necessary to encourage the formation of larger firms as that type of organisation is more suited to specialisation in a composite manner.

105. We would also recommend that the Council should seriously consider whether it should not evolve some schemes of Post-Graduate training for its members to help in specialisation. The fields of specialisation could possibly be Cost Accountancy, Taxation, Management accountancy, etc.

106. There is a growing tendency apparent in recent years for the newly qualified members to go into industry rather than into practice. In the United Kingdom approximately sixty five per cent go into commerce and industry

as against the balance who enter practising firms or into public practice. In this country this tendency is noticeable although the proportion is slightly different. This is a healthy sign, in that not only are the services of Chartered Accountants in industry appreciated and recognised, but it would also lead to accounting in industry being maintained on sound lines. There need therefore be no apprehension regarding the diversion of larger number of members of the Institute into industry. In fact, the Institute should cater both for members desiring to undertake public practice and those desiring to enter industry. In this connection it may not be out of place to quote a paragraph which appeared in the Presidential Address in March, 1956 of the Institute of Chartered Accountants of Scotland:

"Our purpose is to produce young Chartered Accountants who are people with a broad and responsible outlook - people who not only have intelligence but are trained to use it - people who have a firm grasp of principle and who are ready to specialise in whichever of the many fields open to them their careers ultimately lie. Our purpose is not achieved if our training produces people skilled in complicated routines but with no real appreciation of what lies behind what they are doing."

CHAPTER VII

RESEARCH

107. The Institute of Chartered Accountants is the only recognised institution in this country dealing with the subject of Accountancy, in which it imparts education, holds examinations, grants the requisite qualifications authorising the practice of accountancy and regulates the work of accountants in the country. It is true that some of the Universities also impart education leading to graduation in Commerce, but the teaching of the subject at the Universities is comparatively of an elementary standard and is not intended to qualify an individual for the practice of accountancy as such. The Institute is therefore the only institution of learning in the subject. The art of accountancy is a dynamic art and its methods and techniques must, constantly be kept under review and developed to keep pace with, if not abreast of, the development of the economic structure of the society, if it has to adequately fulfil its social function. Besides, accountants due to their specialised knowledge and training are in a unique position to assist in economic development through the contribution that they are in a position to make to the study of applied economics. It is of very considerable importance therefore that the Institute should undertake and effectively encourage research in accountancy principles and practice and in those spheres of applied economics where knowledge of accountancy can be of assistance. Unfortunately in the initial years of the development of the Institute it has not been possible for the Council to promote any research work, but we suggest that the Council does so now.

108. Some effort was made in that direction during the last year or two when the Council constituted a Research Committee and also engaged a paid research worker. But the Research Committee has so far confined itself only to answering specific questions referred to it by the members of the Institute and has not been able to undertake any research. At present the Research Committee consists of only the members of the Council. As it cannot be said that talent and aptitude for research is confined to the members of the Council we are of the view that a committee of this nature should not necessarily be restricted to the members of the Council but even other members of the Institute who have an aptitude and are interested in research work should be actively associated with it. We note that an enabling provision in this regard has already been incorporated in the Chartered Accountants (Amendment) Bill, 1958.

109. We would also like to mention that a committee consisting of professional men from all over this vast country can obviously not meet often enough and its members cannot devote sufficient time to it to be able to carry out research itself. It can at the most be a supervisory body guiding and organising research. But the work itself would in the first instance have to be done by persons who can devote whole or very nearly whole of their time to academic work. We consider it necessary therefore that a Research Wing should be established in the Institute with sufficient and well-qualified staff to undertake this work.

110. While paid research staff in the Institute would be of immense help in promoting this activity and any investment on it would in the long run pay rich dividends, we also feel that the whole-time staff, out of

touch with professional practice, will not be able to fully meet the need. It would be necessary therefore for the Council to consider ways and means of encouraging the accountants in practice and in industry to undertake research work, specially in the fields of accountancy and applied economics.

111. Suitable staff for research work is very difficult to find. Research work in any subject does not only require a basic knowledge of that subject but also a knowledge of the methods and techniques of research. Unless both types of skill are available for the proposed Research Wing, it is not likely to make much headway. We therefore consider it of utmost importance that the staff for the Research Wing should be carefully selected. We appreciate that it may be difficult to find persons that combine both types of training and it may be necessary for the Institute to recruit to its Research Wing some persons with knowledge of accountancy and others trained in the techniques of research. However, we would recommend that unless suitable staff can be found otherwise the Institute should arrange to get the necessary staff trained in research work in collaboration with Universities and other research institutions.

112. While on the subject of Universities and research institutions we would also recommend that the Institute associates itself with Universities, research institutions and to a limited extent with institutions like the Chambers of Commerce and Industry. Such an association would be of considerable benefit to the Institute, specially in the field of applied economic research, and will also help to raise the prestige and standing of the Institute in the country.

CHAPTER VIII

MISCELLANEOUS

The Council, its functions and composition

113. We have considered the existing scope and functions of the Institute as laid down in the Chartered Accountants Act, 1949. The functions of the Council as prescribed in Section 15 of the Act are so worded that they give an impression that the Council is only an administrative body. Though research in accountancy is mentioned as one of the functions of the Council and the 'regulation and maintenance of the status and standard of professional qualifications of Chartered Accountants' is a phrase wide enough to enable the Council to service the members of the Institute, we would suggest that, if necessary, the concept of service to members should be more clearly emphasised amongst the functions of the Council.



114. We have also considered the composition of the Council at some length, in the light of experience gained. We have suggested a more intensive programme of research and research projects are long term projects which require continuity in application. The guidance to members in matters of ethical conduct and in the principles and procedures of accountancy and auditing that the Institute should give will only lead to confusion if the policies of the Council change constantly. That the policies of the Council do so change can be amply illustrated from the fields of training of Articled and Audit Clerks, the syllabus of examinations, the system of marking and moderation of papers etc., questions concerning which have repeatedly come before the Council for consideration and reconsideration. We therefore feel that any

methods by which a greater amount of stability and continuity can be ensured would only be beneficial to the larger interests of the profession. As we have already mentioned elsewhere in this report, there is also an urgent need of more closely associating the members of the Institute employed in commerce and industry with the working of the Institute and to give them a sense of belonging to the profession. Due to all these reasons, if the Council of the Institute has to consist of 30 members, as envisaged in the Chartered Accountants (Amendment) Bill, we would suggest that the composition of the Council should be as follows:

6 persons nominated by Government.

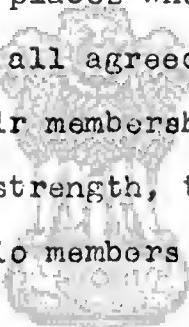
4 persons representing accountants in commerce and industry, in addition to the two representatives of commerce and industry now nominated by Government, and being elected by the members of the Institute from amongst the members employed in commerce and industry.

20 persons elected by the members of the Institute from amongst the members in practice.

115. We would also like to observe that a large body of persons tends to become unwieldy. In our view there is little to be gained through numbers in matters of a technical and professional nature and a compact body of persons is more conducive to quicker decisions. We suggest therefore that while the ceiling on the size of the Council contemplated in the Chartered Accountants (Amendment) Bill may be retained, as a matter of convention the Institute should work with a much smaller Council and, in the present circumstances, it should consist of a total of 20 if not 15 persons, the contemplated ratio of 1 : 4 between the nominated and elected members being maintained in the manner suggested in the paragraph above. If this suggestion is accepted, it would be necessary to add the words "not more than" at the

beginning of clause (b) of Section 9(2) of the Act to introduce the necessary flexibility in the nominated membership of the Council.

116, As regards the Regional Councils, three of us are of the view that the Regional Councils should be abolished, of whom two are in favour of setting up Local Councils in places where not less than 100 members of the Institute are concentrated, such Local Councils being assigned the work at present assigned to Regional Councils and being set up on the same lines as Regional Councils are elected at present. Two of us are in favour of the Regional Councils being retained but would like Local Councils to be established also in places where at least 50 members are available. We are all agreed that if the Regional Councils continue, their membership should be reduced to half of their present strength, the members of the Central Council being ex-officio members of the Regional Councils, as at present.



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117. We also considered the question whether any changes in the terms of office of the Council and its Committees and the President and Vice-President etc. would be conducive to continuity and stability. We all seem to be agreed that some changes might be desirable but unfortunately we could not reach any measure of agreement. One of the proposals considered was that the Council should be elected and the Committees appointed for a term of four years and the President and Vice-President should hold office for a period of two years. Another proposal was that like the Council the Committees should also be appointed for a period of three years and the President and Vice-President should likewise be elected for three years. Yet another suggestion was that

while the Committees might be appointed for three years it should not be necessary to increase the terms of office of the President and Vice-President who could continue to be elected annually but continuity and stability in the working of the Institute should be ensured instead of having a high powered Secretary of the Council who should act as the Chief executive authority of the Institute, a suggestion that we discuss below.

Office of the Institute

118. The working of the office of the Institute is to our mind as important as the working of the Council of the Institute itself, for no policy-making body can function properly unless it is advised and supported by an effective and efficient executive organisation. The office of the Institute is headed by the Secretary of the Council, who also attends the meetings of the Council. The manner in which the Council functions would depend a great deal on the assistance given to it by the Secretary and his office. It must be realised that with the President, Vice-President, and the Committees of the Council changing from year to year, and the Council itself changing every three years, the Secretary and his office are the only permanent elements in the organisation of the Institute. Continuity of policies can only be ensured if the office of the Institute takes a keen interest in the matters that come up for discussion in the Council and is conscious of its responsibilities in that regard. A proper briefing of the Council or its Committees to give them the necessary background and to enlighten them of the various implications of any question under discussion is of very great importance. The Chartered Accountants (Amendment) Bill seeks to empower the Secretary of the Council to participate in the discussions thereat,

if such specific powers were at all needed. We wholeheartedly support this provision. We would further suggest that the Council should examine the organisation and methods of the Institute's office and its staffing not only so that office is able to make its own contribution to the working of the Institute but also with a view to reducing expenditure, avoiding duplication of effort, securing efficiency, and efficiently and quickly executing the decisions of the Council.

112. It has been our experience that the present methods of work in the Institute are such that the work of the Council makes no inconsiderable demands on the time of its President. The President of the Institute has to deal with a large number of routine matters about which the policies and rules of the Institute are unambiguous and which could therefore be dealt with by the Secretary of the Council or even by the officers below him. The Presidents of the Institute being honorary officers already busy, it is not proper to expect them to give so much of their time to the work of the Institute. The demand on the time of the President that the Institute makes at present is one of the objections against increasing the terms of office of the President and Vice-President. In any case we consider it necessary to suggest that the Secretary of the Council be given far greater executive powers than he exercises at present. The Secretary should, in the exercise of his executive powers, be answerable to the Council through its President, and should be free to refer any matters on which he needs guidance, specially those involving considerations of policy, to the President for orders. We are aware of the provision in the Chartered Accountants Act which makes the President the Chief

Executive Authority of the Council. We do not see any conflict between that provision and our suggestion, but if there be any, we would go to the length of suggesting that the Act should be amended to make the Secretary the Chief Executive Authority, while retaining the President as the head of the organisation.

120. We are of the view that it would be in the interests of both efficiency and economy if the Committees of the Council were entrusted with wider delegated powers than at present, making recommendations to the Council only as and when they considered it necessary to do so, the Council concerning itself with the general supervision of the work of its Committees and laying down broad policies they have to follow. If this pattern of work is adopted by the Council, any other Committees that might be considered necessary could be constituted.

121. During the course of evidence a suggestion was made to us that the Regional Councils should be made independent of the Council of the Institute. We find ourselves unable to support any such proposal. The responsibility for the regulation of the profession vests in the Institute and its Council and we would deprecate any proposal that would detract from the authority of the Council of the Institute. Regional or Local Councils should therefore not constitute any legal entity separate and independent from the Central Council and should be required to undertake such work as may be assigned to them by the Central Council from time to time.

122. In the previous chapters we have recommended a number of avenues of service to members and an intensified research programme. We have also suggested a Research Wing within the Institute, primarily to undertake research

work. We would also recommend that the subject of service to members should be entrusted to this separate organisation which could be placed under a Director of Research.

The Chartered Accountants (Amendment) Bill, 1958.

to

123. Representations were made to us in regard/some of the amendments proposed in the Chartered Accountants (Amendment) Bill, 1958. We have not dealt with any of these for we came to the conclusion that the terms of reference of this Committee did not cover the "objects underlying the Chartered Accountants Act" and the amending Bill.

Acknowledgement

124. Before we conclude, the non-official members of this Committee would like to place on record their appreciation of the excellent work done by the Member-Secretary of this Committee - Shri C. P. Gupta, I.C.S. But for his efforts, energy, enthusiasm and drive it would not have been possible for us to complete the report within this short space of time. We would also like to place on record our appreciation of the good work done by Shri T.S. Menon, Under Secretary, the Personal Assistants and other staff that have assisted us in our work.

(G. Basu)
CHAIRMAN

(N. R. Mody)

(C. S. Sastri)

(S. P. Chopra)

(S. Vaidyanath Aiyar)

(C. P. Gupta)
Member-Secretary

MINUTE OF DISSENT OF SHRI C.S. SASTRI

I am unable to agree with the recommendations contained in paragraphs 60, 70(iv) and 93 (last sentence) for the following reasons:-

Paragraph 60

This amounts to a re-introduction of an inviolous distinction between commerce graduates and non-commerce graduates in a different way. Even though a commerce graduate may have some rudimentary knowledge of book-keeping and allied subjects, in actual experience, it has been observed that a non-commerce graduate is at times more brilliant than the commerce graduate. The non-commerce graduate is able to grasp the subjects easily and follow the course from the very start. In my opinion, there is no need for any imposition of a preliminary test or observation of the knowledge of a non-commerce graduate.

Paragraph 70(iv)

While I agree that in order to give efficient training to an Articled Clerk a member should have enough work, I cannot appreciate the linking of training an Articled Clerk with the employment of a paid Assistant. There are instances where the member has enough work to which he can personally attend and an Articled Clerk who is attached to him in such work gets better training than the one who is put in charge of a paid Assistant. A Chartered Accountant can think of employing paid Assistant or Assistants only when he himself is not able to cope with all the work that he has. Until that stage is reached, he can certainly be in a position to train one or two Articled Clerks himself on the work which he personally attends.

If necessary, the privilege of taking Articled Clerks may be permitted after a continuous practice of five years if not three years as at present.

The recommendation regarding the emoluments permissible to an Audit Clerk in para (2) of the said sub-para is, in my opinion, not necessary since the scale of salary differs from place to place and depends upon the local conditions.

Paragraph 93 (last sentence)

The suggestion contained in paragraph 93 in dividing the final examination into two parts is to enable the candidates to gain more advanced knowledge of the subjects in which they are examined, the number of subjects at present being as many as nine or ten. If these subjects are so divided into Part I and Part II, there will not be any integration of the knowledge. For instance, subjects like Co-operative Societies Act, Societies Registration Act, Mercantile Law, Electricity Act, etc., do not have any bearing on subjects like Advanced Accountancy, Auditing, Company Law, Costing, Income-tax etc. With proper division of the subjects between Part I and Part II, the penalty now suggested in asking a candidate to take up an examination in the part in which he had already passed can be avoided.

A P P E N D I X - I.

(See Para 13)

List of the members of the Institute who presented their views before the Reviewing Committee.

* Indicates those who gave oral evidence in addition to submitting written memoranda

@ Indicates those who did not submit written memoranda but gave oral evidence.

The others (i.e., those not marked with any sign) submitted written memoranda only.

I. - Office bearers and members of the Central Council, past and present.

#1.	Shri R. V. Aiyar, FCA	Calcutta.
#2.	Shri S. Ghose, FCA	Calcutta.
#3.	Shri J. S. Lodha, FCA	Calcutta.
#4.	Shri Raghu Nath Rai, FCA	New Delhi.
@5.	Shri S.D. Nargolwala, ICS	New Delhi.
#6.	Dr. R. C. Cooper, FCA	Bombay.
#7.	Shri P. Brahmayya, FCA	Madras.
#8.	Shri V. Soundararajan, FCA	Madras.
#9.	Shri R. Belagangadharan, FCA	Madras.
#10.	Shri A. Basu, FCA	Calcutta.
@11.	Shri K.N. Gutgutia, FCA	Calcutta.
#12.	Shri P.R. Mehra, FCA	Delhi.
#13.	Shri S.B.L. Vaish, FCA	Kannur.
#14.	Shri J.N. Sharma, FCA	Kanpur.
@15.	Shri N.M. Raiji, FCA	Bombay.
@16.	Shri Kerala Varma, FCA	Trichur.
#17.	Shri R. Venkatesan, FCA	Madras.
*18.	Shri M.S. Krishnaswamy, FCA	Madras.
19.	Shri S.B. Dandekar, FCA	Calcutta.
20.	Shri M.K. Deb, FCA	Calcutta.
21.	Shri K.G. Ambegaokar, ICS	Bombay.

II - Office bearers and members of the Regional Councils, past and present.

@22.	Shri D.K. Dasgupta, ACA	Calcutta.
@23.	Shri K.C. Malhotra, FCA	Delhi.
@24.	Shri P.S. Bhargava, FCA	Kanpur.
*25.	Shri I.B. Sinha, FCA	Lucknow.
@26.	Shri P.T.S. Kumaran, FCA	Madras.
@27.	Shri G. Saha, FCA	Calcutta.
@28.	Shri K. Kumar, FCA	Calcutta.
@29.	Shri S.R. Bagai, FCA.	Delhi.
@30.	Shri B.R. Malhotra, FCA	Delhi.
@31.	Shri V. Sahai, FCA	Delhi.
*32.	Shri V.D. Khanna, FCA	Delhi.
*33.	Shri J.C. Khanna, FCA	Delhi.
@34.	Shri I.S. Bhatty, FCA	Kanpur.
*35.	Shri B.N. Chaturvedi, FCA	Kanpur.

#36.	Shri Prag Dutta, FCA	Kanpur.
#37.	Shri A.V. Deshpande, FCA	Bombay.
#38.	Shri T.C. Minakshi sundaram, FCA	Madras.
#39.	Miss R. Sivabhogam, FCA	Madras.
#40.	Shri A.N. Rajagopal, FCA	Hyderabad.
41.	Shri S.K. Gangopadhyay, ACA	Calcutta.

III. - Other members of the Institute.

@42.	Mr. A.H. Forster, ACA	Calcutta.
*43.	Mr. N.F. Master, FCA	Calcutta.
@44.	Shri P.K. Ghosh,	Calcutta.
@45.	Shri Amal Chakrabarty, ACA	Calcutta.
@46.	Shri H.S. Jain, ACA	Calcutta.
@47.	Shri A.L. Sahgal, ACA	Delhi.
@48.	Shri M.R. Venkatraman, FCA	Delhi.
*49.	Shri M.R. Verma, ACA	Jaipur.
*50.	Shri Jagdish Prasad, FCA	Delhi.
*51.	Shri Narayan Prasad, FCA.	Delhi.
52.	Shri D.R. Kohli, ACA	Delhi.
@53.	Shri E.V. Srinivasan, ACA	Delhi.
*54.	Shri S.V. Pandya, FCA	Lucknow.
@55.	Shri A.B. Tandon, FCA	Kanpur.
*56.	Shri M.M. Lal, FCA	Kanpur..
@57.	Shri C.D. Taneja, FCA	Kanpur..
@58.	Shri B.S. Kabra, ACA	Simla..
@59.	Shri P.L. Tandon, FCA	Kanpur..
*60.	Shri R.K. Delal, FCA	Bombay..
@61.	Shri P.C. Hansotia, FCA	Bombay..
*62.	Shri C.S. Patel, FCA	Ahmedabad.
*63.	Shri C.O. Parikh, FCA	Bombay..
@64.	Shri M.M. Gandhi, FCA	Bombay..
@65.	Shri H.M. Mehta, ACA	Bombay..
@66.	Shri R.P. Dalal, FCA	Bombay..
*67.	Shri A.K.S. Aiyar, FCA	Bombay..
*68.	Shri S. Srinivasan, ACA	Bombay..
*69.	Shri S. Venkataraman, ACA	Bombay..
*70.	Shri M.H. Mody, ACA	Bombay..
@71.	Mr. John Deavin, FCA	Madras.
*72.	Mr. R.G.N. Price, FCA	Madras.
*73.	Shri P. Gopal, ACA	Madras.
*74.	Shri M.S. Srinivasan, FCA	Coimbatore.
*75.	Mr. J.S. Goodwin, FCA	Madras.
@76.	Shri R. Srinivasan, FCA	Madras.
77.	Shri T.R. Arora, ACA	Rourkela.
78.	Shri A. Roy Chowdhury, FCA	Calcutta.
79.	Shri K.M. Bhandari, FCA	Udaipur.
80.	Shri V.S. Parlekar, ACA	Bombay..
81.	Shri F.M. Postwala, ACA	Bombay..
82.	Shri V. Srinivasan, ACA	Bombay..
83.	Shri K.C. Shah, ACA	Bombay..
84.	Shri B.L. Tholiya	Bombay..
85.	Shri N. Kasiviswanadham, ACA	Rajahmundry.
86.	Shri A.V. Ramasubba Aiyar, FCA	Madras.
87.	Shri V. Natarajan, FCA	Tanjore.
88.	Shri D. Kameswararao, FCA	Rajahmundry.
89.	Shri S.S. Mehta, ACA	Bombay..
90.	Shri P.L. Tandon, ACA	Bombay..
91.	Shri C.C. Chhotai, ACA	Bombay..
92.	Shri Ramesh Chandra Das, FCA	Calcutta.
93.	Shri Bimal Chandra Ray, FCA	Calcutta.
94.	Shri Rabindranath Gupta, FCA	Calcutta.

95.	Shri Upendra Nath Das, ACA	Calcutta.
96.	Shri Behram Taraporewala, ACA	Calcutta.
97.	Shri Nripendranath Ray, ACA	Calcutta.
98.	Shri Akshay K. Ghosh, ACA	Calcutta.
99.	Shri Sankar Mohan Chattoe, ACA	Calcutta.
100.	Shri Madhusudan Pal ACA	Calcutta.
101.	Shri Birendrakumar Mallick, ACA	Calcutta.
102.	Shri R. Bandyopadhyay, FCA	Calcutta.
103.	Shri P.K. Mallick ACA	Calcutta.
104.	Shri K.G. Bannerji	Calcutta.
105.	Shri Ganesh Chandra Das, ACA	Calcutta.
106.	Shri Bibhuti Bhushan Rakshit, ACA	Calcutta.
107.	Shri N. Ray, ACA	Calcutta.
108.	Shri M.K. Ray, ACA	Calcutta.
109.	Shri Ramesh Ch. Raha, ACA	Calcutta.
110.	Shri Sudhindra Mohan Sen, ACA	Calcutta.
111.	Shri Ram Kishore Bhattacharyya, ACA	Calcutta.
112.	Shri B.K. Mitra, ACA	Calcutta.
113.	Shri K.B. Datta, ACA	Calcutta.
114.	Shri K. Chakrabarti, ACA	Calcutta.
115.	Shri Sonat Kumar Datta, ACA	Calcutta.



A P P E N D I X II
(See para 13)

Serial No.	Recommendation made by the Committee	Ref. to para number in the Committee's Report.
1	2	3

1. Nominations of members on the Council of the Institute by the Central Government should continue for the time being. 21
2. While a professional body should be autonomous, its autonomy should inevitably be subject to some degree of State supervision. At the same time the extent of State supervision should be guided solely by considerations of public interest. 22
3. There should be no nationalisation or rationing of professional work or discontinuance of practice through partnership firms. 27
4. The stage has arrived when the Council can more effectively grapple with the special problems of the profession in the context of the country's economic structure and concept of public interest. 28
5. The time has also arrived when the profession should endeavour to make its own contribution to promoting and sustaining the economic development of the country. 28
6. The present organisation and methods of work should be examined by the Council. 29
7. The resolution of the Council under Regulation 79 should be suitably amended so as to exclude whole-time employment under Chartered Accountants from the general resolution, and whole-time employment, lectureships and editorships from a specific resolution. 33
8. The question of including in the general resolution under Regulation 79, as many as possible of the occupations mentioned in the existing specific resolution may be examined. 34
9. It should be provided in the rules that a Chartered Accountant must have the profession of accountancy as his main occupation, and that he should not follow any other profession than that of accountancy. 34
10. Para 4(b) of Form 'L' and similar clauses in other prescribed forms should be amended. 34

11. The practice of issuing Certificates of Practice to members having no intention to engage in public practice of accountancy and to simultaneously grant them permission to engage in other occupations, should be discontinued, and the Certificates of Practice already issued to such members should be cancelled. 38
12. Accountants in industry should receive their due recognition in all phases of activity like administration, research and education. 39
13. Certificates of Practice should be issued only to those whose main occupation is the public practice of accountancy. 39
14. The Institute should cater also to the needs of members employed in commerce and industry, who should share the cost of the service along with the members in public practice. 40
15. Fees for Certificates of Practice should be fixed at Rs.25 for both Associates and Fellows the annual membership fee for all Fellows being raised to Rs.75. 40
16. No effort need be made to prescribe an official code of ethics as that would tend to introduce rigidity without achieving exhaustiveness. 42
17. The Council should encourage publications on professional ethics. 43
18. Questions involving ethical principles should be examined by the Council as and when they are raised and authoritative advice given through suitable notes for guidance. 44
19. The procedure of dealing with disciplinary cases, as it will be altered by the Chartered Accountants (Amendment) Bill, will be a definite improvement. 45
20. The wider powers proposed for the Council in the amending Bill may be given a fair trial. 45
21. Regulation 11 should be suitably amended to give the Secretary of the Council the powers to call additional information from the respondent by post, specifically. 46
22. Secretary of the Council be allowed to function more effectively in the preliminary examination of complaints and informations. 47
23. Not only should professional misconduct be subject to the discipline of the Council, the Council should have jurisdiction also in matters involving other than professional conduct. 48

24. There should be no time limit prescribed within which an action should be brought against a member of the Institute under the disciplinary provisions of the Act 49
25. A provision might be made in the Act enabling the Council to make a reference to Court in cases where it finds the complaint vexatious and frivolous making the complainant liable to suitable penalty. 50
26. The Institute should issue suitable notes for guidance to its members as and when any malpractices come to its notice or any doubtful points of professional ethics or professional techniques are raised. 54
27. The Institute should issue in future suitable notes for guidance giving in a concise form the points in issue in each disciplinary case and the decisions taken on it, such notes for guidance together with any other notes affecting the conduct of the members issued by the Council being periodically consolidated in a booklet form under suitable headings. 55
28. Employers should insist on prospective articled clerks working with them for a period of at least two months and enter into formal articles with the clerk only if he is satisfied at the end of that period that the candidate is suitable for the profession. 56
29. The present procedure for enrolment should be suitably altered so that the registration of articles and the registration with the Coaching Board is made simultaneously within 15 days of the commencement of articles. 58
30. The Coaching facilities recently provided by the Institute should be continued. 59
31. The Council should examine the possibility of introducing Guarantee Courses. 59
32. The Council should examine the possibility of introducing a new Articled Clerk Course for those who are not Graduates in Commerce. 60
33. The Institute should encourage the writing of suitable text books by authors having wide knowledge of Indian conditions. 61
34. In addition to the study papers and text books the attention of students should be invited to useful literature appearing elsewhere, including that available in the articles appearing in various professional journals. 61
35. Suitable notes for guidance should be issued to the students as and when necessary, clarifying the latest enactments and rulings etc. 61

36. Arrangements for compulsory oral tuition should be made at least in the bigger cities, where the regional headquarters are located, and there is a sufficient concentration of students. 62
37. The Council should recommend to the members of the Institute entitled to take Articled Clerks, to themselves evolve a programme of training for their Clerks keeping in view the types of work and the programmes followed in their own offices. For this purpose the Council could publish a note on the lines of the recommendations in this regard issued by the Institute of Chartered Accountants in England and Wales. 67
38. Transfers of Articled Clerks from one employer to another should be allowed where the employers mutually agree to such transfers. 68
39. A yardstick with reference to the quantum of work should, if possible, be prescribed for purposes of determination of the number of Articled Clerks that an employer should take. 70
40. It should not be necessary for an employer to intimate to the Institute the particulars of his work. At the time of registration of Articles the employer should instead certify to the Institute that he has sufficient work according to the scales prescribed to justify his taking the Articled Clerk. 70
41. The Council should obtain from each employer and Articled Clerk jointly, an annual certificate to the effect that the Articled Clerk has actually been employed on professional work throughout the year except for periods of leave availed. 70
42. Notwithstanding the scales of work prescribed, if any, employers should not be allowed to take more than one Articled Clerk for each paid employee exclusively employed on professional work by the employer, subject to a maximum of three Articled Clerks per employer. 70
43. Audit Clerks should not be counted as paid employees for this purpose, unless they receive a salary at least equal to the emoluments permissible to a Lower Division Clerk in the State Government concerned. 70
44. Some provision should be made whereby a member could take additional Articled/Audit Clerks over and above the prescribed limits if he can satisfy the Council that he has a sufficient quantity of work for them, and for this purpose there should be no objection to the Institute asking for the necessary particulars of work from the members concerned, to justify additional clerks. 71
45. The Council should recommend to the members of the Institute a periodical and conscious stock-taking of the progress of their Articled Clerks by the employers themselves. 72

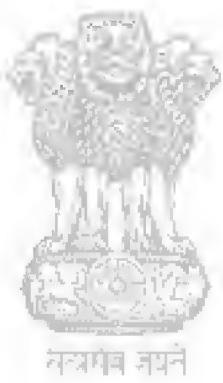
46. Articled Clerks should not be allowed any other courses of study during the period of articles. 74
47. Either no change in the leave rules be made or leave should be readjusted in such manner as it may enable the clerk to be on leave in time for preparation prior to the examinations. 75
48. The Institute should recommend to its members that the amount of premium taken should be voluntarily reduced and the more progressive employers may even consider taking Articled Clerks without charging any premium. 76
49. Premiums realised must be refunded in suitable instalments over the period of articles. 76
50. Whether premiums are realised or not, the employers should consider the possibility and desirability of paying suitable stipends to their Articled Clerks in appropriate cases at their discretion. 76
51. The system of audit clerks should be allowed to continue subject to the restriction recently imposed by the Council. 80
52. No person should be registered by the Institute as an audit clerk unless he has been in the employment of the principal for at least six months prior to registration, during which period the principal should be able to decide whether he is a suitable candidate for the profession. 80
53. The Council of the Institute should ensure that the audit clerks are paid a reasonable salary both before and after the registration of audit service. Failure in this respect on the part of an employer should be viewed with disfavour. 80
54. The mutual rights and obligations and duties and privileges should be left to the terms of the service contracts between the employers and the audit clerks. 83
55. The Institute should encourage Articled Clerks to take suitable industrial training as and when they can find opportunities for the same. 84
56. The industrial training should not exceed one year and should be taken during the latter half of the articled service. 85
57. During industrial training roughly 3/4ths of the time should be devoted to the accounts department of the establishment including the stores and sales departments, and the rest to the management side. 86
58. Industrial training should be permitted only when it is taken under the supervision of a member of the Institute. 86

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| 59. | Suitable progress reports should be obtained from the member supervising the industrial training. | 86 |
| 60. | Students' associations should be encouraged and helped in organising their activities. | 87 |
| 61. | Students' associations should continue under the over-all supervision of the Regional Councils. | 87 |
| 62. | Students' Associations should send periodical progress reports of their activities to the Council of the Institute. | 87 |
| 63. | The frequency of the examinations should be maintained at two per year as at present. | 88 |
| 64. | The Council should examine the possibility of holding the examinations in January and July or in March and September, subject to suitable accommodation being available at the examination centres. | 89 |
| 65. | There should be one full paper on cost accounts in the Final examination and the half paper on statistics which is at present coupled with the cost accounts paper in the Final should be transferred to the Intermediate examination as part of the paper on General Commercial Knowledge. | 90 |
| 66. | The Institute should appoint a Board of Examiners on a semi-permanent basis, say for a period of 5 years, consisting of experts picked out not only from within but even from without the profession. | 91 |
| 67. | The Final examination should be divided into two parts and the candidates must compulsorily take each part separately at separate examinations. The first part should be allowed to be taken only one year after the Intermediate examination and at least another year must elapse between passing the first part and taking the second. If the candidate passes the first part but fails to succeed in the second at four successive examinations, he should be made to reappear for the first part again. | 93 |
| 68. | The procedure for registration for examinations should be simplified. | 94 |
| 69. | The Institute should render service to its members by advising them on the accepted principles of audit and accounting, by issuing notes for guidance of members from time to time, and pamphlets on topical subjects of interest to the profession, by arranging to answer the queries of the members of the Institute, by holding seminars and conferences - regional, national and international, by arranging refresher courses for the members of the Institute and by providing assistance to members to broaden their general outlook. | 97 |

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| 70. | A whole-time paid editor with the necessary editorial staff should be appointed. | 98 |
| 71. | The articles contributed to the journal and accepted for publication should be suitably paid for where necessary. | 98 |
| 72. | An Advisory Editorial Board should be set up to guide the editorial staff. | 98 |
| 73. | The Director of Studies should be associated with the students' section of the journal. | 99 |
| 74. | The existing library facilities should be extended; the regional libraries should be strengthened, reading room facilities should be provided where possible, and arrangements should be made for lending other than reference books against suitable deposits. | 100 |
| 75. | A certain amount of publicity of the professional activities as a whole by the Institute would go a long way in making the country more accountant-minded. | 101 |
| 76. | The Council should recommend to the members of the Institute to maintain a reasonable proportion between qualified and unqualified assistants employed by them and thereby offer increased employment to members of the Institute. | 103 |
| 77. | The Council should recommend to the members of the Institute that the senior amongst them e.g. members with 15 years' standing or over, should not accept professional work below a certain fee. | 103 |
| 78. | The Council should encourage specialisation in various branches of professional work by the members of the profession and for this purpose it would perhaps be necessary to encourage the formation of larger firms. | 104 |
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| 79. | The Council should evolve some schemes of Post-Graduate training for its members to help in specialisation. | 105 |
| 80. | The Institute should undertake and effectively encourage research in accountancy principles and practice and in those spheres of applied economics where knowledge of accountancy can be of assistance. | 107 |
| 81. | A Research Wing should be established in the Institute with sufficient and well-qualified staff to undertake research work. | 109 |
| 82. | The Council should consider ways and means of encouraging the accountants in practice and in industry to undertake research work, specially in the fields of accountancy and applied economics. | 110 |

83. Unless suitable staff can be found otherwise the Institute should arrange to get the necessary research staff trained in research work in collaboration with Universities and other research institutions. 111
84. The Institute should associate itself with Universities, research institutions and to a limited extent with institutions like the Chambers of Commerce and Industry. 112
85. If necessary, the concept of service to members should be more clearly emphasised amongst the functions of the Council. 113
86. If the Council of the Institute has to consist of 30 members, the composition of the Council should be as follows:
- 6 persons nominated by Government.
- 4 persons representing accountants in commerce and industry being elected by the members of the Institute from amongst the members employed in commerce and industry.
- 20 persons elected by the members of the Institute from amongst the members in practice. 114
87. While the ceiling on the size of the Council contemplated in the Chartered Accountants (Amendment) Bill may be retained, as a matter of convention the Institute should work with a much smaller Council and, in the present circumstances, it should consist of a total of 20 if not 15 persons, the contemplated ratio of 1 : 4 between the nominated and elected members being maintained. 115
88. (i) The Regional Councils should be abolished, or 116
- (ii) The Regional Councils should be abolished and instead Local Councils should be set up in places where not less than 100 members of the Institute are concentrated, or 116
- (iii) The Regional Councils should be retained, but Local Councils should also be established in places where at least 50 members are available. 116
89. If the Regional Councils continue, their membership should be reduced to half of their present strength. 116
90. (i) The Council should be elected and the Committees appointed for a term of four years and the President and Vice-President should hold office for a period of two years, or 117

- (ii) Like the Council the Committees should also be appointed for a period of three years and the President and Vice-President should likewise be elected for three years, or 117
- (iii) while the Committees might be appointed for three years it should not be necessary to increase the terms of office of the President and Vice-President who could continue to be elected annually but continuity and stability in the working of the Institute should be ensured instead of having a high powered Secretary of the Council who should act as the Chief executive authority of the Institute, 117
91. The Council should examine the organisation and methods of the Institute's office and its staffing. 118
92. The Secretary of the Council should be given far greater executive powers than he exercises at present. The Secretary should, in the exercise of his executive powers, be answerable to the Council through its President, and should be free to refer any matters on which he needs guidance, specially those involving considerations of policy, to the President for orders. 119
93. The Act should be amended, if necessary, to make the Secretary the Chief Executive Authority, while retaining the President as the head of the organisation. 119
94. The Committees of the Council should be entrusted with wider delegated powers than at present, making recommendations to the Council only as and when they considered it necessary to do so, the Council concerning itself with the general supervision of the work of its Committees and laying down broad policies they have to follow.



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